

**Sub-set of GBP Optional Add-on (Voluntary Plans)
Updates and Compliance Overview**

Voluntary plans available under the Texas Employees Group Benefits Program (GBP) umbrella provide for a comprehensive and competitive benefits package, which is essential for attracting and retaining a talented workforce. The State of Texas is recognized for providing a comprehensive total compensation package to employees working in state agencies.

The optional add-on benefits within the GBP allow employees to enroll in additional health and health-related benefits that are meaningful to them and their families. For these plans, the cost of claims and administration is paid entirely by participants.

Group Insurance Programs

Category	GBP Plans	Description
Optional Add-on (Voluntary Benefit) Plans	State of Texas Dental Choice Plan SM	Voluntary dental Preferred Provider Organization (PPO) insurance
	Dental Health Maintenance Organization (DHMO)	Voluntary dental DHMO
	State of Texas Vision Plan	Voluntary vision Insurance
	Life insurance plans ¹	Optional and dependent term life insurance plans
	Accidental Death & Dismemberment (AD&D)	Voluntary AD&D insurance plan
	Texas Income Protection Plan SM	Voluntary Short-term and long-term disability
	TexFlex SM	Voluntary Flexible spending account
	TexaSaver SM 401(k) and 457 Program	Voluntary Retirement Savings Program

DENTAL PLANS

ERS offers two voluntary dental insurance plans: the State of Texas Dental Choice Plan (Dental Choice Plan), a self-funded Preferred Provider Organization (PPO); and a fully-insured Dental Health Maintenance Organization (DHMO) plan.

The current administrators of the Dental Choice PPO Plan and DHMO plan are as follows:

- A six-year contract for administration of the Dental Choice PPO Plan was awarded to Delta Dental Insurance Company (Delta Dental), with a contract period covering September 1, 2019 through August 31, 2025.
- A six-year contract was awarded to DeltaCare, USA for administration of the DHMO plan, with a contract period covering September 1, 2019 through August 31, 2025.

Vendor Performance Reporting

Exhibit A provides an overview of the process used for tracking and monitoring a vendor’s performance. A vendor’s adherence to the contractual standards and performance guarantees is achieved through the review of a Monthly Administrative Performance Report (MAPR).

Below is a summary of Delta Dental’s adherence to Fiscal Year 2020 performance guarantees for the State of Texas Dental Choice PPO Plan.

¹ Basic Term Life insurance coverage of \$5,000 is included at no cost to active employees when they sign up for health coverage in the GBP. This plan also includes a \$5,000 accidental death and dismemberment (AD&D) benefit.

Delta Dental
State of Texas Dental Choice PPO Plan
Vendor Performance Overview
Fiscal Year 2020

PG Severity	PG Category	Vendor Performance Results	PG Review Period	PG Performance Assessment Determination
1	Emergency Performance Guarantees (PG)	None missed	N/A	N/A
2	Critical PG	None missed	N/A	N/A
3	Moderate PG	5 Moderate PGs assessments	12/2019 02/2020	Grievance and Appeals (Pre-Service) 0% pre-service appeals processed within 15 days 0% pre-service appeals processed within 15 days vs. requirement of 95% pre-service appeals processed within 15 days
			02/2020	Adjudication of "Clean" Paper Claims 93% claims adjudicated within 14 calendar days vs. requirement of 95% adjudication rate within 14 calendar days
			03/2020 04/2020	Grievance and Appeals (Post-Service) 60% post-service appeals processed within 30 days 80% post-service appeals processed within 30 days Vs. requirement of 95% post-service appeals processed within 30 days
4	Minor PG	11 Minor PG assessments	09/2019 10/2019 01/2020 02/2020	Reporting Requirements 3 occurrences- 85% reports in correct format 92% reports in correct format 92% reports in correct format 92% reports in correct format vs. requirement of 100% reports in correct format
			09/2019 10/2019 11/2019 12/2019	Communication Materials 94% mailed communication materials approved 93% mailed communication materials approved 83% mailed communication materials approved 80% mailed communication materials approved vs. requirement of 100% mailed communication materials approved
			Q1 FY2020	Interval Service Level 73% of calls answered within 20 seconds vs. requirement of 80% of calls answered within 20 seconds

Below is a summary of DeltaCare USA's adherence to performance guarantees for the DHMO Plan for Fiscal Year 2020.

DeltaCare USA
DHMO Plan
Vendor Performance Overview
Fiscal Year 2020

PG Severity	PG Category	Vendor Performance Results	PG Review Period	PG Performance Assessment Determination
1	Emergency Performance Guarantees (PG)	None missed	N/A	N/A
2	Critical PG	None missed	N/A	N/A
3	Moderate PG	None missed	N/A	N/A
4	Minor PG	11 Minor PG assessments	09/2019	Reporting Requirements 2 occurrences- 60% reports in correct format
			10/2019	
			11/2019	80% reports in correct format
			12/2019	80% reports in correct format
			01/2020	80% reports in correct format
			02/2020	80% reports in correct format
				vs. requirement of 100% reports provided in correct format
				Communication Materials
			09/2019	92% mailed communication materials approved
			10/2019	88% mailed communication materials approved
			11/2019	67% mailed communication materials approved
			12/2019	50% mailed communication materials approved
				vs. requirement of 100% mailed communication materials approved

STATE OF TEXAS VISION PLANSM

ERS began offering a vision plan on September 1, 2016. This optional benefit plan is available to all employees, retirees and their eligible dependents.

The ERS Board of Trustees awarded the vision plan administrative services contract to Superior Vision Services, Inc. (Superior Vision), with an initial contract term covering from September 1, 2016 through August 31, 2020. An amendment extended the contract for an additional two years, through August 31, 2022.

Vendor Performance Reporting

Below is a summary of Superior Vision's adherence to performance guarantees for the State of Texas Vision Plan for Fiscal Year 2020.

Superior Vision Services, Inc.
 State of Texas Vision Plan
 Vendor Performance Overview
 Fiscal Year 2020

PG Severity	PG Category	Vendor Performance Results	PG Review Period	PG Performance Assessment Determination
1	Emergency Performance Guarantees (PG)	None missed	N/A	N/A
2	Critical PG	None missed	N/A	N/A
3	Moderate PG	1 Moderate PG assessment	11/2019	Adjudication Rate of Clean Claims 93.11% claims adjudicated within 15 days vs. requirement of 100% adjudication rate within 15 days
4	Minor PG	1 Minor PG assessment	05/2020	Reporting Requirements 66.67% reports provided timely vs. requirement of 100% reports provided timely

LIFE INSURANCE PLANS, AD&D COVERAGES

The GBP offers Basic and Optional Term Life, Accidental Death and Dismemberment (AD&D) and Voluntary AD&D insurance. All plans are funded solely by the program participants with the exception of Basic Life, which is funded by the State of Texas and employers. Minnesota Life Insurance Company, an affiliate of Securian Financial Group, Inc. (Securian), administers the program with a contract period ending December 31, 2021.

Vendor Performance Reporting

Below is a summary of Securian's Fiscal Year 2020 performance guarantee adherence as reported on the MAPR.

Securian
 Life Insurance and AD&D Plans
 Vendor Performance Overview
 Fiscal Year 2020

PG Severity	PG Category	Vendor Performance Results	PG Review Period	PG Performance Assessment Determination
1	Emergency Performance Guarantees (PG)	None missed	N/A	N/A
2	Critical PG	1 Critical PG assessment-pending	06/2020	Resolution of transaction errors 96.29% vs. requirement of 100% Notification of errors
3	Moderate PG	1 Moderate PG assessment-pending	06/2020	Notification of File Transfer Errors 96.29% Notification of errors vs. requirement of 100% Notification of errors
4	Minor PG	None missed	N/A	N/A

TEXAS INCOME PROTECTION PLANSM

Texas Employees Group Benefit Program's (GBP) disability coverage. The State of Texas offers two optional disability benefit plans to its employees; short-term disability and long-term disability. This optional benefit coverage can increase an employee's financial security and assist an employee or his or her family through a period without the employee's salary income. The disability plans within the Texas Income Protection Plan (TIPP) are self-insured plans funded solely by plan participants. The GBP retains the risk under the self-funded plans.

ReedGroup Management, LLC administers the program with a contract period ending December 31, 2021.

Vendor Performance Reporting

Exhibit A provides an overview of the process used to tracking and monitoring a vendor's performance. A vendor's adherence to the contracted standards and performance guarantees is achieved through the review of a Monthly Administrative Performance Report (MAPR).

Below is a summary of ReedGroup's adherence to the Calendar Year 2019 performance as reported on the MAPR.

ReedGroup
Texas Income Protection Plan
Vendor Performance Overview
Calendar Year 2019

PG Severity	PG Category	Vendor Performance Results	PG Review Period	PG Performance Assessment Determination
1	Emergency Performance Guarantees (PG)	1 Emergency PG assessment	10/2019	Maintenance Eligibility File Processing 0% of files processed within 24 hours vs. required 100% of files processed within the first 24 hours
2	Critical PG	None missed	N/A	N/A
3	Moderate PG	2 Moderate PG assessments	Q3 CY19	Financial Accuracy Rate of Claims 96% financial accuracy rate of claims vs. requirement of 98% financial accuracy rate
			Q4 CY19	97% financial accuracy rate of claims vs. requirement of 98% financial accuracy rate
4	Minor PG	2 Minor PG assessments	Q3 CY19	Interval Service Level 82.89% calls answered within 30 seconds vs. requirement of 85% calls answered within 30 seconds
			Q4 CY19	Interval Service Level 62% calls answered within 30 seconds vs. requirement of 85% calls answered within 30 seconds

TEXTFLEX FLEXIBLE SPENDING ACCOUNT PROGRAM

The TexFlexSM spending account program (TexFlex) is a pre-tax benefit available to active employees. The flexible spending account (FSA) program allows payment or reimbursement of eligible, out-of-pocket health care and day care expenses. The commuter spending account (CSA) program allows payment or reimbursement of eligible transit and parking expenses. Employees may enroll in one or more of the TexFlex accounts, fund the account(s) with pre-tax salary contributions, and then use their pre-tax dollars to pay for

eligible out-of-pocket health care, dependent care and commuting expenses. Employees do not pay taxes on the funds contributed to the account or funds used for eligible expenses.

WageWorks, Inc. administers the program with a contract period ending August 31, 2021.

Vendor Performance Reporting

Exhibit A provides an overview of the process for tracking and monitoring a vendor's performance. A vendor's adherence to the contracted standards and performance guarantees is achieved through the review of a Monthly Administrative Performance Report (MAPR).

Below is a summary of WageWorks, Inc. adherence to the Fiscal Year 2020 performance guarantees.

- WageWorks, Inc. met all their contractual performance standards for the Fiscal Year 2020.

TEXA\$AVERSM 401(K) AND 457 PLANS

The State of Texas offers a tax-deferred supplemental retirement program, comprised of 401(k) and 457 plans, collectively known as the Texa\$aver program. The Texa\$aver program was established with the common purpose to attract and retain state employees and officials by providing them a way to make voluntary and systematic investments. The investment income can provide a measure of additional retirement security for program participants and their beneficiaries.

- Texa\$aver 401(k) plan is authorized by Section 401(k) of the Internal Revenue Code. The plan began in 1985 and is available to state agency employees only.
- Texa\$aver 457 plan is authorized by Section 457 of the Internal Revenue Code. The plan originated in 1974 and is available to employees of state agencies and participating higher education institutions, except for employees of the University of Texas System, which transitioned to its proprietary plan, UTSaver Deferred Compensation Plan.

Great-West Life & Annuity Insurance Company administers the program and Advised Assets Group provides advisory services with a contract period ending August 31, 2026.

Vendor Performance Reporting

Exhibit A provides an overview of the process used to track and monitor a vendor's performance. A vendor's adherence to the contracted standards and performance guarantees is achieved through the review of a Monthly Monitoring Report (MMR).

Below is a summary of Great-West Life and Annuity Insurance Company adherence to Calendar Year 2019 performance guarantees:

- Great-West Life and Annuity Insurance Company met all Calendar Year 2019 contractual performance standards for the Texa\$aver Program.

Below is a summary of Advised Assets Group adherence to Calendar Year 2019 performance guarantees:

Advised Assets Group
 TexaSaver Program
 Vendor Performance Overview
 Calendar Year 2019

PG Severity	PG Category	Vendor Performance Results	PG Review Period	PG Performance Assessment Determination
1	Emergency Performance Guarantees (PG)	None missed	N/A	N/A
2	Critical PG	None missed	N/A	N/A
3	Moderate PG	None missed	N/A	N/A
4	Minor PG	1 Minor PG assessment	Q3 CY19	Interval Service Level 74.11% calls answered within 20 seconds vs. requirement of 80% calls answered within 20 seconds

BACKGROUND

DENTAL PLANS

State of Texas Dental Choice

The self-funded State of Texas Dental Choice PPO plan allows participants to receive the highest level of benefits when they choose to go to a network provider. Out-of-network benefits are available at a reduced benefits level. Covered dental expenses are classified as diagnostic and preventive services, basic services, major services, and orthodontic services. Unlike the DHMO plan, participants in this plan are not required to choose a primary care dentist (PCD).

DHMO Plan

The DHMO focuses on maintaining oral health, prevention, and cost containment. Under this plan, participants choose a Primary Care Dentist (PCD) who can be seen as often as necessary. The plan does not offer out-of-network benefits in most cases. The DHMO plan features no annual maximums, no annual or lifetime deductibles, no waiting periods, and no patient payments for most diagnostic and preventive services. Other costs are based on a fixed fee for each service. DHMO coverage is available in the Texas service area only.

STATE OF TEXAS VISION PLAN

ERS began offering a vision plan on September 1, 2016 after a competitive bidding process. This add-on optional benefit plan is available to all employees, retirees and their eligible dependents. The plan is funded solely through participant-paid premiums and copayments.

The State of Texas Vision Plan covers up to \$200 retail allowance towards either the cost of frames or contact lenses annually, upgraded lens options, and provides discounts for LASIK. The plan also provides benefits for routine eye exams and contact lens fittings.

The State of Texas Vision Plan is well received by participants and continues grow.

LIFE INSURANCE PLANS, ACCIDENTAL DEATH & DISMEMBERMENT (AD&D) COVERAGE

Basic Group Term Life Insurance with AD&D coverage

Participating employees who elect GBP health coverage are automatically enrolled in \$5,000 Basic Group Term Life Insurance and \$5,000 Basic AD&D coverage. Participating retirees are automatically enrolled in \$2,500 Basic Group Term Life Insurance. AD&D coverage is not available to retired employees.

Optional Group Term Life Insurance with Basic AD&D coverage

Active employees can also enroll in Optional Group Term Life Insurance and AD&D coverage. Coverage is based on the employee's salary. When newly hired, an employee may enroll in Optional Term Life Insurance at one or two times annual salary without evidence of insurability (EOI) during their initial enrollment period. The EOI process requires an applicant to provide medical information and go through medical underwriting to enroll in coverage for the first time, increase coverage after the initial enrollment period ended or if Optional Term Life Insurance is elected at three or four times the annual salary amount. Coverage approval is not guaranteed and is subject to medical underwriting. The total combined amount of Optional Group Term Life Insurance may not exceed \$400,000 with a corresponding amount of AD&D coverage. As directed by statute, ERS informs participants about the benefits of having life insurance coverage.

Optional Group Term Life Insurance is also available to retirees. However, specific rules govern the maximum amounts available depending on when the person retired. Beginning at age 70, Optional Term Life coverage decreases for both active and retired employees based on age, which is consistent with industry standard.

Employees and retirees may also apply for life insurance coverage during annual enrollment periods or with a qualifying life event, subject to EOI.

Dependent Term Life Insurance coverage with AD&D coverage

Employees may elect \$5,000 of Dependent Group Term Life Insurance and \$5,000 of AD&D for each listed eligible dependent.

Each participating retired employee may retain \$2,500 of Dependent Group Term Life Insurance as, at the time of retirement, the coverage was in place as an active employee. Dependents can be added to coverage with a qualifying life event or during annual enrollment with completion of evidence of insurability. AD&D coverage is not available for dependents of retired employees.

Voluntary AD&D coverage

Voluntary Accidental Death and Dismemberment (AD&D) is a separate insurance program available only to active employees and their dependents. For an additional premium, employees can enroll in AD&D coverage in incremental amounts up to \$200,000. An employee is not required to enroll in Optional Group Term Life Insurance coverage in order to have Voluntary AD&D coverage. EOI is not required for Voluntary AD&D. Voluntary AD&D coverage is not available to retired employees.

Texas Income Protection Plan

TIPP benefits can be valuable to a covered employee and their family by replacing a percentage of salary if a covered employee is unable to work due to injury or illness. Under the GBP, ERS makes both short-term disability and long-term disability benefits available to eligible active employees.

- **Short-term Disability Benefit**

If the employee's claim for benefits is approved, short-term disability provides the enrolled employee with a monthly benefit equal to 66% of his/her covered monthly salary or \$6,600, whichever is less. The monthly benefit payment is coordinated with other benefit payments, but will not be less than 10% of his/her monthly salary when combined with all applicable resources (e.g. benefits payable under Worker's Compensation Act, Disability Retirement Law). The benefit period will not exceed five months.

- **Long-term Disability Benefit**

If the employee's claim for benefits is approved, long-term disability provides the enrolled employee with a monthly benefit equal to 60% of his/her covered monthly salary or \$6,000, whichever is less. The monthly benefit payment is coordinated with other benefits. The benefit payment will not be less than 10% of his/her monthly salary when combined with all applicable resources (e.g. benefits payable under Social Security Disability, Worker's Compensation Act, and Disability Retirement Law).

Flexible Spending Accounts

TexFlex, a voluntary benefit program, is available to employees under the GBP. TexFlex offers the following plan benefit options which employees can use to provide payment or reimbursement for qualified expenses according to the rules of the corresponding plans.

- **TexFlex health care FSA**, a § 125 reimbursement account

The TexFlex health care FSA was adopted by the ERS Board of Trustees and is administered in accordance with Internal Revenue Code (the Code) § 125. The maximum tax-deferred contribution amount is determined by the Internal Revenue Service (IRS) and is currently set at \$2,750 annually.

How it works: Pre-taxed member contributions are credited to a participant's TexFlex health care FSA maintained by the plan administrator. The entire annual credited funds amount is available to the enrollee at the beginning of each plan year. An employee is then able to use credited funds from his/her TexFlex health care FSA to fund eligible out-of-pocket health care expenses not reimbursed by another source. Eligible out-of-pocket expenses include co-pays, dental expenses, eyeglasses/Lasik/contacts, medical supplies, and prescriptions. Effective January 1, 2020, eligible over the counter products and menstrual products are eligible for reimbursement without a prescription, as a result of the 2020 CARES Act.

- **TexFlex limited-purpose FSA**, a § 125 reimbursement account

The TexFlex limited-purpose FSA was adopted by the Board of Trustees and is administered in accordance with § 125 of the Code. The TexFlex limited-purpose FSA is designed to provide payment or reimbursement of eligible out-of-pocket dental and vision expenses not reimbursed from another source, including the Health Savings Account. This plan is available only to employees enrolled in the Consumer Directed HealthSelectSM Plan. The maximum tax-deferred contribution amount is determined by the IRS and is currently set at \$2,750 annually.

How it works: With a TexFlex LPFSA, pre-taxed employee contributions are credited to a participant's TexFlex LPFSA maintained by the plan administrator. The entire annual credited funds amount is available to the enrollee at the beginning of each plan year. An employee is then able to use credited funds from his/her LPFSA to fund eligible out-of-pocket vision and dental expenses not reimbursed by another source.

- **TexFlex dependent care FSA**, a § 125 reimbursement account

The TexFlex dependent care FSA is also administered in accordance with § 125 of the Code. The dependent care FSA was adopted by the Board of Trustees and is designed to provide payment or reimbursement for eligible dependent care expenses. The maximum tax-deferred contribution is determined by the IRS and is currently set at \$5,000 annually if an employee's tax filing status is "married filing jointly" or "single head of household" or \$2,600 annually if the status is "married filing separately."

How it works: This benefit option allows active employees to contribute pre-tax dollars into a TexFlex dependent care FSA maintained by the plan administrator. An employee is then able to use the pre-tax contributions from his/her TexFlex dependent care FSA for eligible day care expenses for qualifying adults or children under the age of 13.

- **TexFlex Commuter Spending Account (CSA)**, a § 132(f) reimbursement account

The Qualified Transportation Fringe Benefit (QTFB) was adopted by the Board of Trustees and is an optional benefit available to active employees. This plan is governed under § 132(f) of the Code and is designed to provide employees payment or reimbursement for qualified expenses associated with parking and commuting costs, as long as those costs are connected to the commute to and from work.

- The *qualified parking CSA* allows reimbursement of eligible incurred parking expenses. Employees make monthly pre-tax contributions and can either use their TexFlex-branded debit card at point of sale or opt to submit paper claims for reimbursement.

- The *qualified transit* CSA allows for the payment of eligible mass transit and vanpool expenses. Employees make monthly pre-tax contributions and can only use the TexFlex-branded debit card at point of sale to access pre-tax funds; paper claims submissions are not permitted for reimbursement.

Those enrolled in an eligible TexFlex plan are provided a TexFlex-branded debit card at no additional cost. The card can be used to pay expenses directly from a TexFlex account.

§ 125 Plan Enrollment and Elections. Participation in any of the TexFlex plans is voluntary. Employees can enroll when they are first hired, have a qualifying life event, or during the annual enrollment period and are automatically re-enrolled at the same contribution amount as the previous plan year, unless action is taken to opt out or change the monthly contribution amount.

TexaSaver Program

Program Funding

The state does not match employee contributions nor does it appropriate funds for the administration of the TexaSaver program. To cover the administrative costs of the program, participants are charged a monthly asset-based fee. The monthly fees are based on the total value of the participant's account.

Participant Contributions

Both plans allow participants the opportunity to invest part of their income through traditional pre-tax and/or Roth post-tax salary deductions. Although traditional, pre-tax contributions allow the participant to defer paying taxes on the contributions and earnings until they terminate employment or retire, Roth (after-tax) contributions continue to grow in both plans. As of August 31, 2020, the program had approximately 12,150 accounts with Roth contributions.

Salary deductions are the most convenient method for participants to contribute to a personal savings account like TexaSaver. Participants can choose either a percentage of salary or a fixed dollar amount for their monthly contribution. Participants can choose to automatically escalate their contributions each year up to the maximum allowable amount set by the Internal Revenue Service (IRS)². Both of these flexible contribution features are available in both plans.

Program Investment Options

Investment Product Options. TexaSaver offers a diversified assortment of mutual funds and collective trust funds, as well as a self-directed brokerage account option, including core choices in equities, fixed income and cash equivalent investments. The investment options in the 401(k) and 457 plans are the same.

The program also offers a target date fund series as its Qualified Default Investment Alternative. Contributions from participants who are automatically enrolled are put into a target date fund based on the participant's projected retirement date. Target date funds are designed to provide an appropriate level of investment risk based on an employee's age and expected time horizon to retirement.

Additionally, the program offers a self-directed brokerage account option which is made available through the Schwab Personal Choice Retirement Account® (PCRA). The PCRA provides the participant with the ability to invest in their choice of most any New York Stock Exchange, American Stock Exchange and NASDAQ listed stocks, most corporate and government bonds, and thousands of mutual funds with no loads. Additional fees are associated with the PCRA option.

² As reflected in its [Notice 2019-59](#), the IRS increased the contribution limits for Calendar Year 2020 to 19,500 per account. This increase provides employees the opportunity to save up to \$39,000 a year in both retirement accounts. Employees over the age of 50 may contribute an additional \$6,500 per year per account.