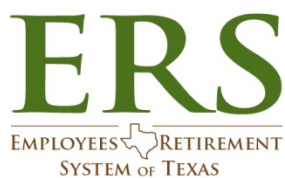




Board of Trustees Meeting
December 7, 2021



Presented for Review and Approval
March 9, 2022

Table of Contents

6. Call Meeting of the ERS Board of Trustees to Order 3

7. Consideration of the Minutes to the August 25, 2021 ERS Board of Trustees Meeting – (ACTION) 3

8. Executive Session – 3

In Accordance with Section 551.074, Texas Government Code, the Board of Trustees will meet in executive session to deliberate the employment, evaluation and duties of the Internal Auditor of ERS. Thereafter, the Board may consider appropriate action in open session 3

In accordance with Section 551.071, Texas Government Code, the Board of Trustees will meet in executive session to consult with legal counsel regarding contemplated litigation. Thereafter, the Board may consider appropriate action in open session..... 3

9. Consideration of Readoption of Rules of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Chapter 61 (Terms and Phrases), Chapter 63 (Board of Trustees), and Chapter 65 (Executive Director), with Proposed Amendments – (Action)..... 4

10. Consideration of Readoption of Rules of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Chapter 69 (Membership and Refunds) with Proposed Amendments, including New Provisions Regarding Pension Forfeiture Resulting from Criminal Convictions; and Consideration of Proposed Amendments to Chapter 85 (Flexible Benefits) – (Action) 4

11. Report of the Group Benefits Advisory Committee.....6

12. Appointment of Group Benefits Advisory Committee Members – (Action).....6

13. Health Insurance Financial Update for Fiscal Year 2021 and Outlook for Fiscal Year 2022.....6

14. Review of Compliance and Operational Updates Related to the Texas Employees Group Benefits Program 7

15. Consideration of Contract Award Recommendation for Benefits Consultant Services for the Texas Employees Group Benefits Program – (Action).....8

16. Review of the Texas Employees Group Benefits Program: Actuarial Valuation of Retiree Health Insurance Benefits as of August 31, 2021 8

17.*Training Regarding the Health Insurance Portability and Accountability Act (HIPAA) 9

18 Agency Update.....10

19. Recess of the Board of Trustees 10

**BOARD OF TRUSTEES MEETING
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
December 7, 2021**

TRUSTEES PRESENT

Catherine Melvin, Board Chair
Dr. Jim Kee, Vice Chair
Brian Barth, Member
Neika Clark, Member
I. Craig Hester, Member

ERS DIRECTORS PRESENT

Porter Wilson, Executive Director
Cathy Terrell, Deputy Executive Director
Jennifer Chambers, Director of Governmental Affairs
Tony Chavez, Director of Internal Auditor
Bernie Hajovsky, Director of Enterprise Planning Office
Cynthia Hamilton, General Counsel
Robin Hardaway, Director of Customer Benefits
Diana Kongevick, Director of Group Benefits
Wendy McAdams, Director of Operations Support
Shack Nail, Special Projects & Policy Advisor
Machelle Pharr, Chief Financial Officer
Gabrielle Schreiber, Director of Office of Procurement and Contract Oversight
DeeDee Sterns, Director of Human Resources
Kathryn Tesar, Director of Benefits Communications
Chuck Turner, Chief Information Officer
David Veal, Chief Investment Officer
Keith Yawn, Director of Strategic Initiatives

ERS STAFF PRESENT

Nora Alvarado, Group Benefits
Brannon Andrews, Office of General Counsel
Jason Avants, Information Systems
Georgina Bouton, Group Benefits
Lisa Caffarate, Office of Procurement and Contract Oversight
Raquel Colón, Investments
Kurt Cressotti, Internal Audit
Kelley Davenport, Executive Office
Christi Davis, Customer Benefits
Blaise Duran, Group Benefits
Angelica Harborth, Group Benefits
Dan Herron, Benefits Communications
Trudy Hill, Operations Support
Tiffani Jenkins, Benefits Communications
Lanesia Jones, Investments
Nancy Lippa, Office of General Counsel
Emily Miller, Office of General Counsel
Jonathan Puckett, Internal Audit
Tanna Ridgway, Investments
Robert Sessa, Investments
Nile Stork, Information Systems
Susan Thomas, Office of Procurement and Contract Oversight
Ariana Whaley, Executive Office
Tommy Williams, Information Systems

ALSO PRESENT

Chris Johnson, Rudd and Wisdom, Inc.

Phil Dial, Rudd and Wisdom, Inc.

Betsy Hodge, Healthcare Akerman

Megan LaVoie, Group Benefits Advisory Committee Member

Claire York, Blue Cross and Blue Shield of Texas

John Posey, Legislative Budget Board

Colleen McGlamry, United Healthcare

Meeting of the ERS Board of Trustees

6. Call Meeting of the ERS Board of Trustees to Order

Ms. Catherine Melvin, Chair of the Board of Trustees of the Employees Retirement System of Texas (ERS), noting a quorum was present, called the meeting to order at 11:35 a.m. and read the following statement:

“A public notice of the ERS Board of Trustees meeting containing all items on the proposed agenda was filed with the Office of the Secretary of State at 12:56 p.m. on Monday, November 29, 2021, as required by Chapter 551 Texas Government Code, referred to as the Open Meetings Law.”

7. Consideration of the Minutes to the August 25, 2021 ERS Board of Trustees Meeting – (ACTION)

Ms. Melvin, Chair of the Board of Trustees opened the floor for a motion to approve the minutes from the August 25, 2021 ERS Board of Trustees meeting.

Dr. Kee noted for the record a typo of the minutes from the August 25, 2021 meeting on page 3, paragraph 5 to state the correction of the word “basics” to “basis points.” This error was corrected and updated in the board portal upon conclusion of the December 7, 2021 Board meeting.

Move that the Board of Trustees approve the minutes to the meeting held on August 25, 2021.

Motion by Craig Hester, second by Brian Barth

Final Resolution: Motion carries

Aye: Craig Hester, Brian Barth, Neika Clark, Jim Kee, Catherine Melvin

8. Executive Session –

In Accordance with Section 551.074, Texas Government Code, the Board of Trustees will meet in executive session to deliberate the employment, evaluation and duties of the Internal Auditor of ERS. Thereafter, the Board may consider appropriate action in open session

In accordance with Section 551.071, Texas Government Code, the Board of Trustees will meet in executive session to consult with legal counsel regarding contemplated litigation. Thereafter, the Board may consider appropriate action in open session.

Ms. Melvin announced the time and date, as well as the Board's intent to convene in executive session, and the Board moved to a separate room.

Upon returning from executive session, Ms. Melvin announced the time and date and noted that no action was taken by the Board while in executive session.

Ms. Melvin asked the Board if anyone would like to make a motion.

Move that the Board of Trustees of the Employees Retirement System of Texas award Tony Chavez a merit increase of 5% effective January 1, 2022.

Motion by Brian Barth, second by Craig Hester

Final Resolution: Motion carries

Aye: Craig Hester, Brian Barth, Neika Clark, Jim Kee, Catherine Melvin

Ms. Melvin asked for a second motion.

Move that the Board of Trustees of the Employees Retirement System of Texas, in accordance with Texas Government Code Section 2254.103, approve the entry of the contingent fee contract discussed in executive session because one, there's a substantial need for the legal services; two, the legal services cannot be adequately performed by the attorneys and the supporting personnel of

ERS or by the attorneys and supporting personnel of another state governmental entity; and three, the legal services cannot be reasonably obtained from attorneys in private practice under a contract providing only for the payment of hourly fees, without regard to the outcome of the matter, because of the nature of the matter for which the services will be obtained.

Motion by Craig Hester, second by Jim Kee

Final Resolution: Motion carries

Aye: Craig Hester, Brian Barth, Neika Clark, Jim Kee, Catherine Melvin

9. Consideration of Readoption of Rules of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Chapter 61 (Terms and Phrases), Chapter 63 (Board of Trustees), and Chapter 65 (Executive Director), with Proposed Amendments – (Action)

Keith Yawn, Director of Strategic Initiatives presented a review of Texas Administrative Code Chapters 61, 63 and 65. Texas Government Code directs state agencies to periodically review administrative rules to reaffirm the continued need for the rule.

Chapter 61 provides definitions of certain terms and phrases used through ERS administrative rules for a public audience for consistency and clarity and are not intended to change the meaning or application of the rules from previous versions.

Chapter 63 addresses Board of Trustees operations including the duties, election activities, and advisory committees. The primary changes to this chapter include implementing the provisions of House Bill 917 (87th Regular Session), which permits a retiree to hold one of three elected trustee positions beginning in 2023. In addition, the rule provides that a retiree or active member employed by ERS within the past six years may not be nominated to the Board if they were employed by ERS within the past six years.

Proposed amendments to Chapter 65 governs the authority and duties of the ERS Executive Director which includes duties and delegation of authority. These revisions clarify and simplify the language used in the rules for a public audience and ensure continued alignment with authorizing statute.

Notices of amendments to Chapter 61, 63, and 65 were published in the October 22, 2021, issue of the Texas Register. ERS did not receive any comments.

There being no further questions or discussion, Ms. Melvin opened the floor for a motion.

Move that the Board of Trustees readopt Texas Administrative Code Title 34, Part 4, Chapter 61, Terms and Phrases, 63 Board of Trustees and 65 Executive Director, as revised by the proposed amendments detailed in Exhibits A, B, and C to this agenda item.

Motion by Jim Kee, second by Brian Barth

Final Resolution: Motion carries

Aye: Craig Hester, Brian Barth, Neika Clark, Jim Kee, Catherine Melvin

10. Consideration of Readoption of Rules of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Chapter 69 (Membership and Refunds) with Proposed Amendments, including New Provisions Regarding Pension Forfeiture Resulting from Criminal Convictions; and Consideration of Proposed Amendments to Chapter 85 (Flexible Benefits) – (Action)

Emily Miller, Assistant General Counsel and Diana Kongevick, Director of Group Benefits presented the proposed amendments to Chapter 69 and Chapter 85 of the Texas Administrative Code.

Texas Government Code directs state agencies to periodically review administrative rules to reaffirm the continued need for the rule.

Section 69.1 regarding employees covered by the Teachers Retirement System and Section 69.9 regarding trustee-to-trustee transfers, were amended to clarify and simplify existing rule language.

Section 69.3 regarding members of governing boards was repealed and moved to 69.7. The prior Section 69.7 regarding reinstatement of refunded accounts within 15 days was repealed and then moved to become Section 69.8. Section 69.5 regarding interest payable at the time of the refund was repealed completely as an obsolete rule.

Sections 69.2 through 69.6 comprise the new proposed rules regarding annuity termination. Texas Government Code Sections 810.003 and 810.004 direct ERS to promulgate rules to terminate the annuities of certain elected officials or corrections officers who are convicted of qualifying felonies.

The proposed rule provides that ERS will terminate the annuity of an elected official or corrections officer who is convicted of a qualifying felony related to that person's office or their employment. Any remaining retirement contributions will be refunded. If the person's conviction is overturned on appeal or if actual innocence is established, ERS will reinstate the annuity if ERS receives both an application to reinstate as well as a repayment of the previously issued refund within 120 days. If an annuitant fails to provide timely notice of a conviction and continues to receive annuity payments, the annuitant must repay ERS.

For any QDROs that predate the effective dates of these statutes, ERS will continue to pay the alternate payee if payment has begun. If payment has not begun, ERS will pay the alternate payee a portion of any refund. In a domestic relations order after the effective dates of the statutes, a court may award part of a terminated annuity to a spouse determined to be an innocent spouse. Section 69.5(b) caps such an award at 50%.

A notice for these proposed rules was published in the October 29, 2021, issue of the Texas Register. ERS did not receive any comments regarding these proposed amendments.

Ms. Kongevick discussed proposed amendments to Chapter 85 (Flexible Benefits Program) which serves as the plan document for the TexFlex program. The rule amendments to Chapter 85 are proposed pursuant to Texas Insurance Code 1551.052 and Texas Insurance Code Section 1551.206(b).

Ms. Kongevick explained the Section 85.4 (Separate Plans) qualified transportation benefit plan should be repealed as the Board approved termination of the Commuter Spending Account (CSA) at the May 2021 meeting and the rule is now obsolete. Termination of the Commuter Spending Account was effective August 31, 2021, with a runout period ending December 31, 2021. The remaining eligible account balances will be refunded to participants on a taxable basis.

Section 85.6 is added to define the temporary Relief Options for Plan Years 2020 and 2021 as allowed under the federal Consolidated Appropriations Act of 2021 due to the ongoing impact of COVID-19. The options were provided for dependent care reimbursement accounts, health care FSAs, including the limited-purpose FSAs. ERS administered the COVID-19 relief options for TexFlex participants, as permitted under federal regulations. Options were required to be adopted into the plan document by December 31, 2021.

Rule amendments to Sections 85.1 and 85.7 were also proposed to include references to the new rule 85.6 where appropriate.

Notice of the proposed amendments to Chapter 85 were published in the October 22, 2021, issue of the Texas Register. ERS did not receive comments regarding the proposed amendments.

Ms. Kongevick reported that WageWorks, Inc. notified CSA participants of the benefit termination and FSA participants of the available temporary relief options. ERS included related benefit changes information on the ERS website.

There being no further questions or discussion, Ms. Melvin opened the floor for a motion.

Move that the Board of Trustees readopt Texas Administrative Code Title 34, Part 4, Chapter 69, membership and refunds, as revised by the proposed amendments detailed in Exhibit A to this agenda item, including changes to the text published in the Texas Register.

Further move that the Board of Trustees adopt proposed amendments to Chapter 85, flexible benefits, as detailed in Exhibit B to this agenda item.

Motion by Brian Barth, second by Craig Hester

Final Resolution: Motion carries

Aye: Craig Hester, Brian Barth, Neika Clark, Jim Kee, Catherine Melvin

11. Report of the Group Benefits Advisory Committee

Mr. Bernie Hajovsky, Director of Enterprise Planning Office and Ms. Megan LaVoie, Group Benefits Advisory Committee (GBAC) member, provided a summary of 2021 activities. The GBAC committee reviewed new legislation, fertility benefits, and impact of COVID-19 on the state health plans, among other topics. LaVoie noted the committee provided a few recommendations for staff to consider, but had no formal recommendations for board consideration.

There were no further questions or discussion, and no action was required on this agenda item.

12. Appointment of Group Benefits Advisory Committee Members – (Action)

Mr. Bernie Hajovsky, Director of Enterprise Planning Office presented the staff recommendation to re-appoint Dr. Janet Bezner and Mr. Gary White to the Group Benefits Advisory Committee for three-year terms beginning January 1, 2022.

There being no further questions or discussion, Ms. Melvin opened the floor for a motion.

Move that the Board of Trustees accept the nominations made by agency staff as listed in Exhibit A to this agenda item and appoint Janet Bezner and Gary White to the ERS Group Benefits Advisory Committee for three-year terms beginning January 1, 2022.

Motion by Jim Kee, second by Brian Barth

Final Resolution: Motion Carries

Aye: Brian Barth, Neika Clark, Craig Hester, Jim Kee, Catherine Melvin

13. Health Insurance Financial Update for Fiscal Year 2021 and Outlook for Fiscal Year 2022

Diana Kongevick, Director of Group Benefits, Blaise Duran Group Benefits Actuarial and Reporting Services, and Phil Dial with Rudd and Wisdom Inc. presented the Health Insurance Financial Update for Fiscal Year 2021 and Outlook for Fiscal Year 2022 to the board.

Mr. Duran provided a historical trend update for Plan Years (PY) 2019 and 2020 as well as the 2021 estimated trend. Plan Year 2019 was the last year prior to the pandemic with relatively low trends that year -- at 3% medical and 7.2% pharmacy, resulting in medical and pharmacy combined trend of 4.1%. When the pandemic hit in 2020, combined medical and pharmacy trend reduced to 1%, driven by the significant reduction in medical utilization that year, resulting in medical trend of -0.8%. The pharmacy trend was 5.6%.

Mr. Duran provided further details on the impact of COVID-19. Based on claims data only, HealthSelect had 41,000 COVID cases in PY21 with an estimated cost of \$126.9 million. The plan spent an additional estimated \$20.7 million on tests and vaccine administration. During that period, the plan spent approximately \$61.7 million less on services unrelated to COVID.

The PY21 pandemic net impact was a positive net impact estimated at \$85.9 million. Net impact is the cost of claims, testing, and vaccination less an estimated cost reduction in the use of non-COVID services. As vaccination rates rise, it is anticipated PY22 should reflect a reduction in cases. Mr. Duran

provided an overview on the seasonality of inpatient admissions attributed to the pandemic from September 2020 through August 2021.

Mr. Duran stated that the utilization in services is expected to normalize and this stabilization should continue through PY23. He reviewed the fiscal year projections and stated that Fiscal Year 2021 ended with a net gain of \$407 million and a contingency balance of \$3.1 billion. Mr. Dial noted that in the last five years there has been a total of 1.2% increase in contributions.

There were no further questions or discussion, and no action was required on this agenda item.

14. Review of Compliance and Operational Updates Related to the Texas Employees Group Benefits Program

Diana Kongevick, Director of Group Benefits introduced Georgina Bouton, Assistant Director of Group Benefits and Nora Alvarado of Group Benefits to assist in presenting the compliance and operational updates related to the Texas Employees Group Benefits Program (GBP).

Ms. Kongevick provided an overview of the different benefit programs available under the GBP in Fiscal Year 2021: health insurance, prescription drug coverage, dental, vision, life insurance, accidental death and disability (AD&D) insurance, short and long-term disability insurance coverage, and flexible spending account (FSA) program. Ms. Kongevick also reviewed the different health benefits available for Medicare-eligible retirees which include the HealthSelectSM Medicare Advantage Plan for health benefits and the HealthSelectSM Medicare Rx plan for prescription drugs.

Ms. Georgina Bouton provided a summary of the development and structure of the performance guarantees (PGs) within the Group Benefits contracts. The PG severity level defines the assessment amount in the event a PG service level is missed. In response to the Board's request, a three-year summary of PG compliance for the GBP vendors was prepared and provided to the Board.

The GBP vendor contract compliance was high during FY21. Two vendors reported no contractual performance issues, 10 vendors reported minor or moderate issues and two experienced emergency issues connected to data file processing.

Ms. Kongevick reported the two vendors that met performance standard guarantees were Superior Vision Services, Inc. and Securian Minnesota Life.

During Calendar Year (CY) 2020, the GBP offered two Medicare Advantage plan options to Medicare-eligible retirees and their eligible dependents, the HealthSelect MA PPO Plan and KelseyCare Advantage MA HMO Plan. During that period, KelseyCare Advantage had three minor PGs. Two were reporting requirements, one was the satisfaction rate.

Ms. Alvarado reported on the Texas Income Protection Plan, the optional self-insured short term and long term disability insurance administered by Reed Group Management, LLC. In CY20, Reed Group had four moderate PG assessments. Three PG assessments were due to financial accuracy rate of claims and the additional assessment was related to timely claims processing.

During FY21, Wage Works, Inc. provided administrative services in connection with the TexFlex program, the flexible spending account program that allows payment or reimbursement of eligible out-of-pocket health care and day care expenses. Wage Works performance reporting for FY21 indicated three moderate and three minor PG assessments.

In response to a question by Ms. Catherine Melvin regarding the authority to waive a PG assessment, Ms. Gabrielle Schreiber explained that ERS established an internal process to escalate certain PG decisions. This process is further defined by internal ERS policy. The Office of Procurement and Contract Oversight helps to ensure consistency in managing PG determinations. Ms. Kongevick added the strong

performance by Group Benefits' plan managers contributes to the success of the compliance and oversight process.

There were no further questions or discussion, and no action was required on this agenda item.

15. Consideration of Contract Award Recommendation for Benefits Consultant Services for the Texas Employees Group Benefits Program – (Action)

Diana Kongevick, Director of Group Benefits, Blaise Duran, Group Benefits Actuarial and Reporting Services and Gabrielle Schreiber, Director of Office of Procurement and Contract Oversight presented on the Contract Award Recommendation for Benefits Consultant Services for the Texas Employees Group Benefits Program. ERS does not have a contract in place for benefits consultant services. The Request for Qualifications (RFQ) sought a qualified entity to provide services and assist with potential projects in connection with health and welfare benefits programs available within the Texas Employee Group Benefits program.

On June 1, 2021, ERS issued the RFQ and received 5 responses from Aon Consulting, Inc., Gallagher Benefit Services, Inc., Milliman, Inc., Segal Company, Inc., and Willis Towers Watson US LLC. During the initial phase, the Office of Procurement and Contract Oversight evaluated all responses and determined all five vendors qualified to advance in the process. The next phase included a team of subject matter experts across the agency to review responses based on published criteria. Based on those pass/fail items, ERS selected two entities as finalists, Milliman Inc. and Willis Towers Watson.

There being no further questions or discussion, Ms. Melvin opened the floor for a motion.

Move that the Board of Trustees authorize the executive director to negotiate and execute a satisfactory contract with Willis Towers Watson US LLC. In the event that ERS is not able to timely negotiate a satisfactory contract or if Willis Towers Watson US LLC is not capable of providing the required benefits consultant services to ERS's satisfaction during the contract term, the board authorizes the executive director to resume due diligence to negotiate and execute a satisfactory contract with the next top-ranked qualified respondent.

Motion by Brian Barth, second by Craig Hester

Final Resolution: Motion carries

Aye: Craig Hester, Brian Barth, Neika Clark, Jim Kee, Catherine Melvin

16. Review of the Texas Employees Group Benefits Program: Actuarial Valuation of Retiree Health Insurance Benefits as of August 31, 2021

Ms. Machel Pharr, Chief Financial Officer, Mr. Phil Dial, Rudd and Wisdom and Mr. Chris Johnson, Rudd and Wisdom presented the Actuarial Valuation of Retiree Health Insurance Benefits.

Ms. Pharr stated that insurance for retirees is reported separately in the annual financial report, referred to as Other Post-Employment Benefits (OPEB), and are funded on a pay as you go basis. She further stated the Government Accounting Standards Board (GASB) requires disclosure of the actuarially determined contributions. Mr. Dial provided a brief overview of the GASB standards which require ERS to value the Other Post-Employment Benefits provided to all retired member of the plan through the Group Benefits program (GBP). He further stated that the GBP benefits are life insurance and health insurance, with the life insurance component as a very small portion while the health insurance is the primary component and very extensive. He clarified that OPEB does not include optional benefits (optional life insurance, disability insurance, and vision insurance) as these are funded by members, and also excludes retirement benefits.

Mr. Dial said the population includes retirees as well as active and deferred vested members. He reported a reduction in population of 1,200 compared to 2020 is primarily due to the reduction of approximately 7,000 active participants.

Mr. Dial stated that GASB 75, which governs OPEB employer reporting, has been in effect since FY18 and the Comptroller reports OPEB expense and liability information for ERS and Teacher Retirement System of Texas (TRS) in the financial statements published in the state's annual comprehensive financial report. The information for GASB 75 comes from GASB 74 valuations conducted at ERS and TRS.

Mr. Johnson reviewed the valuation process and explained that the entry age funding method is used as mandated by GASB for the plan valuation. Mr. Johnson presented the demographic and economic assumptions utilized in the plan valuation, which are the same assumptions used in the ERS and TRS retirement plan valuations. He explained, the benefits under the plan are provided on a pay-as-you-go basis and therefore GASB 74 mandates the discount rate be based on yields of 20 year tax exempt municipal bonds where such yields are determined as of the measurement date, as of August 31 of each year. Mr. Johnson stated this can result in significant changes in the discount rate from year to year, causing volatility in the OPEB liability. Mr. Johnson concluded with noting the fluctuation of the discount rate, and stating that as discount rates go down, liability goes up and the inverse is true as well.

Mr. Dial stated that two important assumptions used for the health insurance benefits are different from the retirement plan. The first is the per capita health benefit cost which is determined based on the projection of FY22 costs and the valuation going forward. He stated there are three sets of health benefit costs that provide the data for setting the per capita cost: medical costs for HealthSelectSM participants, HealthSelectSM Medicare Advantage participants, and HealthSelect pharmacy experience. The second non-retirement related assumption is the health benefit cost trend, noting the use of a select and ultimate schedule for the trend assumption that is sustainable. The trend level established as the sustainable level is the inflation assumption used for the retirement plan, plus two points.

Mr. Johnson presented the results from this year's valuation utilizing different liability measures, stating there was an overall increase of \$2.9 billion for a total of \$36 billion for FY21. This is comprised of 53% active employees, 40% retirees, and 7% vested terminated members. He further reviewed the Actuarially Determined Contribution, which is comprised of normal cost plus 30 year amortization of the net OPEB liability, and noted that there is no contribution requirement for this plan, as it is a pay as you go. He further presented a comparison of FY20 versus FY21, which showed an increase of approximately 5%.

Mr. Dial explained the offset of pharmacy costs through pharmacy rebates and federal subsidies under the employer group waiver plan under Medicare Part D. He noted that the offset is not as significant as in the previous year and that is the primary reason for the \$200 million increase in the adjustment to the assumptions.

Mr. Johnson concluded by pointing out one of the requirements under GASB 74 is the disclosure of some sensitivity analysis of discount rate changes, as well as changes in the health benefit cost trend, and noting the volatility in the discount rate.

Trustee Dr. Kee asked if they had the OPEB liability year by year over the last five or 10 years, and Mr. Dial responded that they could provide that information. Mr. Dial further stated there has been no change in the benefits, only in how the benefits have been administered.

This agenda item was presented for information and discussion purposes only. There was no further discussion or questions and no action was taken.

17.*Training Regarding the Health Insurance Portability and Accountability Act (HIPAA)

Betsy F. Hodge, Partner with Akerman LLP, a national law firm, conducted training regarding the Health Insurance Portability and Accountability Act (HIPAA). ERS provides HIPAA training to each new employee and contractor and provides periodic HIPAA training to the Board and the ERS staff. This agenda item consisted of training only. The Board took no action.

18. Agency Update

Mr. Porter Wilson, Executive Director provided an update on the following items.

Cash Balance Retirement Benefit (Group 4) Implementation Status -The cash balance retirement benefit will begin with new state employees who start work on or after September 1, 2022 who do not have an existing retirement account with ERS. Implementation involves the development of computer systems, data interfaces, policies and procedures, administrative code rules, and communication and educational materials. The Legacy Payment, which was part of SB 321 secures the return to financial solvency of the pension program. The first payment of \$510 million was received September 2021. The enrollment and administration system is an ongoing development of an internal hybrid administration system using an agile development models designed to mitigate impact to existing systems. Coordination with external agencies is also needed to appropriately interface administration system with state payroll systems. Six new policies have been adopted and another one that is in the development process. Summary notifications and early recruitment materials have been distributed.

Customer Benefits Update – ERS launched an internal service initiative called “Action Beyond the Call” to address continuing challenges in service to our customers. The initiative will focus on the following:

- Staff recruitment and retention
- Reducing contact center hold times
- Reducing processing time frames
- Streamlining processes

Plan Year 2022 Fall Enrollment – Retirees made over 4,000 coverage changes during fall enrollment period. ERS mailed 102,986 Personal Benefits Enrollment Statement packets. ERS had a fall enrollment webpage that had 1,540 views. Over 3,500 enrollment calls were received by ERS in the call center and 366 retirees participated in 22 webinars and 9 phone session with a 95% average helpful rating.

State Employee Charitable Campaign – 63% of ERS employees contributed to the State Employee Charitable Campaign, raising \$56,132, and four division had 100% participation. The campaign was co-chaired by Andrew Hodson and Betty Martin of the ERS Investments division.

General Counsel Announcement - Cynthia Hamilton was named ERS General Counsel effective October 1, 2021, after serving as “Acting” since April 2021. Ms. Hamilton was previous general counsel for the State Board of Architectural Examiners, is board certified in civil appellate law and holds a certification as a senior professional in human resources.

19. Recess of the Board of Trustees

The Board of Trustees recessed at 5:27 p.m. on Tuesday, December 7, 2021 and will reconvene on Wednesday, December 8, 2021 at 8:30 a.m. with the Investment Advisory Committee to take up the remaining agenda items.