

Public Agenda Item #23

*Consideration of Fiscal Year 2023 Operating Budget and
Fiscal Year 2023 Capital and Property Management Budget –
(Action)*

August 24, 2022

Porter Wilson, Executive Director

Machelle Pharr, Chief Financial Officer

FY22 Accomplishments



Support our members retirement income security

- Implemented new cash balance (Group 4) retirement benefit
 - Developed policies and administrative rules
 - Made technical system changes
 - Began employer communications
- Issued \$2.9 billion+ in annuity payments
- Sustained investment operations and management
- Improved the Texa\$averSM program, adding a passive domestic small cap fund

FY22 Accomplishments



Sustain competitive group benefits program

- Held contribution rates (premiums) stable for the sixth consecutive year while maintaining competitive benefits
- Continued implementing benefits and operational changes during the COVID-19 pandemic
 - Provided direct coverage for rapid tests
 - Paid the pharmacy dispensing fee for new treatments
- Continued to share health care data with other state agencies to improve health outcomes for Texans
- Continued to promote HealthSelectShoppERSSM, with the following results in the first 18 months:
 - 1,975 individual incentives
 - \$184,150 deposited into members' FSAs

FY22 Accomplishments



Engage stakeholders for informed decision making

- Met quarterly with member organizations to share information and seek input on programs and communications
- Resumed in-person member events, while still offering virtual options:
 - 20 in-person events with combined total of about 2,000 attendees
 - 133 webinars with 5,800+ attendees
- Created and distributed monthly wellness report cards to every agency and higher education institution
- Supported employers by responding to about 10,000 calls and 10,000 emails
- Invited members and other stakeholders to participate in the ERS History Project

FY22 Accomplishments



Enhance agency performance and accountability

- Completed eight audit engagements, in accordance with the FY22 audit plan
- Participated in the Survey of Employee Engagement
- Continued efforts to recruit and retain staff:
 - Revamped the benefit counselor hiring process to increase applicants
 - Participated in career fairs, incorporating new recruiting tools
- Published solicitation for Retirement Insurance System Enhancement (RISE)
- In preparation for RISE, focused efforts to address data quality.
- Entered into a letter of intent for 1836 San Jacinto office tenant

FY22 Accomplishments



Enhance agency performance and accountability

- Completed important evaluations:
 - Internal assessment of electronic data management
 - Independent assessment of maturity level of ERS' security program
- Collected and reconciled program funds:
 - \$3.6 billion+ in employee and employer insurance contributions
 - \$730 million in member retirement contributions
- Automated and enhanced SharePoint processes to support paperless processing
- Continued to support remote work by migrating videoconferencing and collaboration tools to the cloud

FY23 Initiatives



- Provide information to the 88th Legislature to attain actuarial soundness in LECOS and JRS 2 funds
- Conduct an election to fill one of the three elected positions on the ERS Board
- Conduct transaction cost analysis to ensure best-in-class trading activities for the Trust
- Ensure investment consultants provide comprehensive services at competitive costs
- Evaluate proposals and contract for pharmacy benefit management services
- Solicit and evaluate proposals for third-party administrator of HealthSelect of Texas[®]

FY23 Initiatives



- Begin renovations of 200 E. 18th St.
- Redesign ERS' public website for better navigation and usability
- Improve authentication for identity verification in ERS OnLine
- Begin implementation of RISE
- Leverage Survey of Employee Engagement results
- Continue Group 4 design, implementation and communications

Proposed Fiscal Year 2023 Operating Budget



Budget drivers and initiatives

The proposed FY23 budget reflects an increase of \$6.8 million, or 7.7%, to address critical activities:

- Human resources throughout agency
 - *Salary-related costs comprise 60.7% of the budget*
- Investment management
- System modernization and maintenance
- Data quality and security
- Reduction of Benefits Counseling Center wait times
- Processing timelines for survivor benefits

	FY22	FY23*
Salary-related	\$55.3 M	\$57.6 M
Non-salary-related	\$32.8 M	\$37.3 M
Total budget	\$88.1 M	\$94.9 M
FTEs	424	436

**Additional \$6.4 M in contingency.*

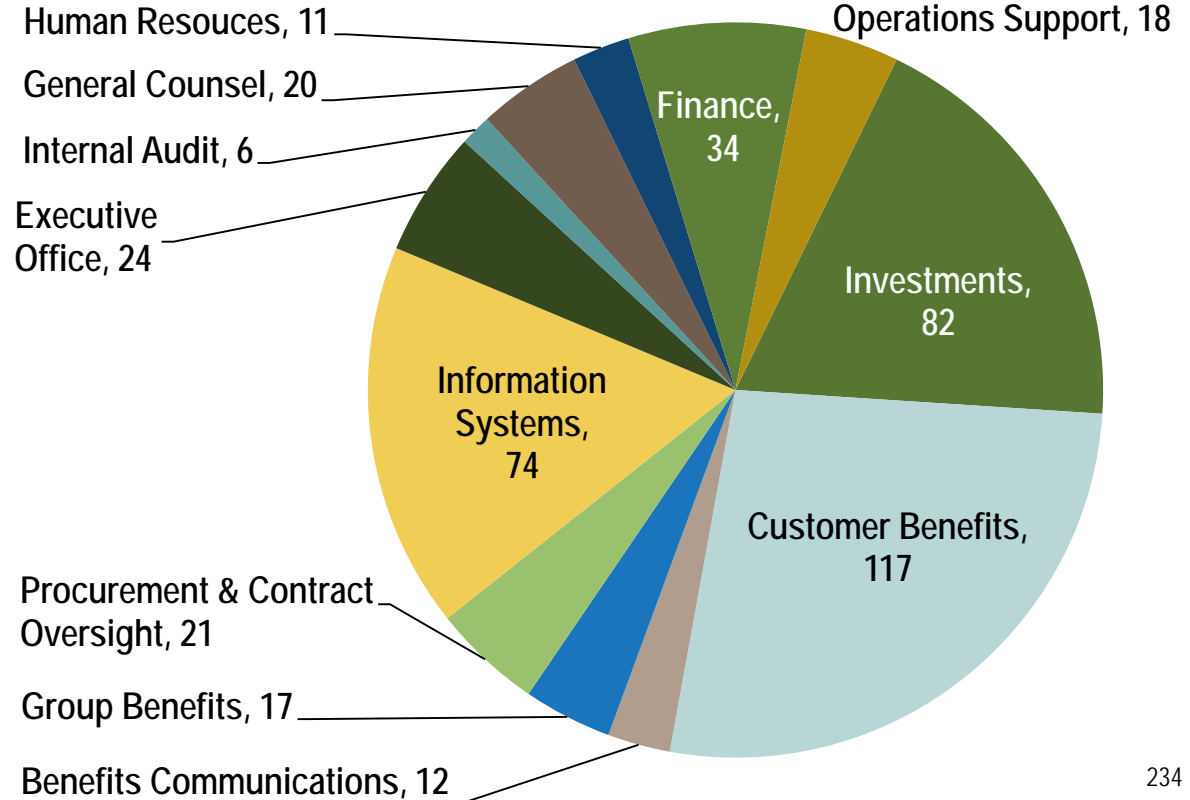
Unspent funds remain in the Trust.

Proposed Fiscal Year 2023 Operating Budget



Proposed FY23 FTEs

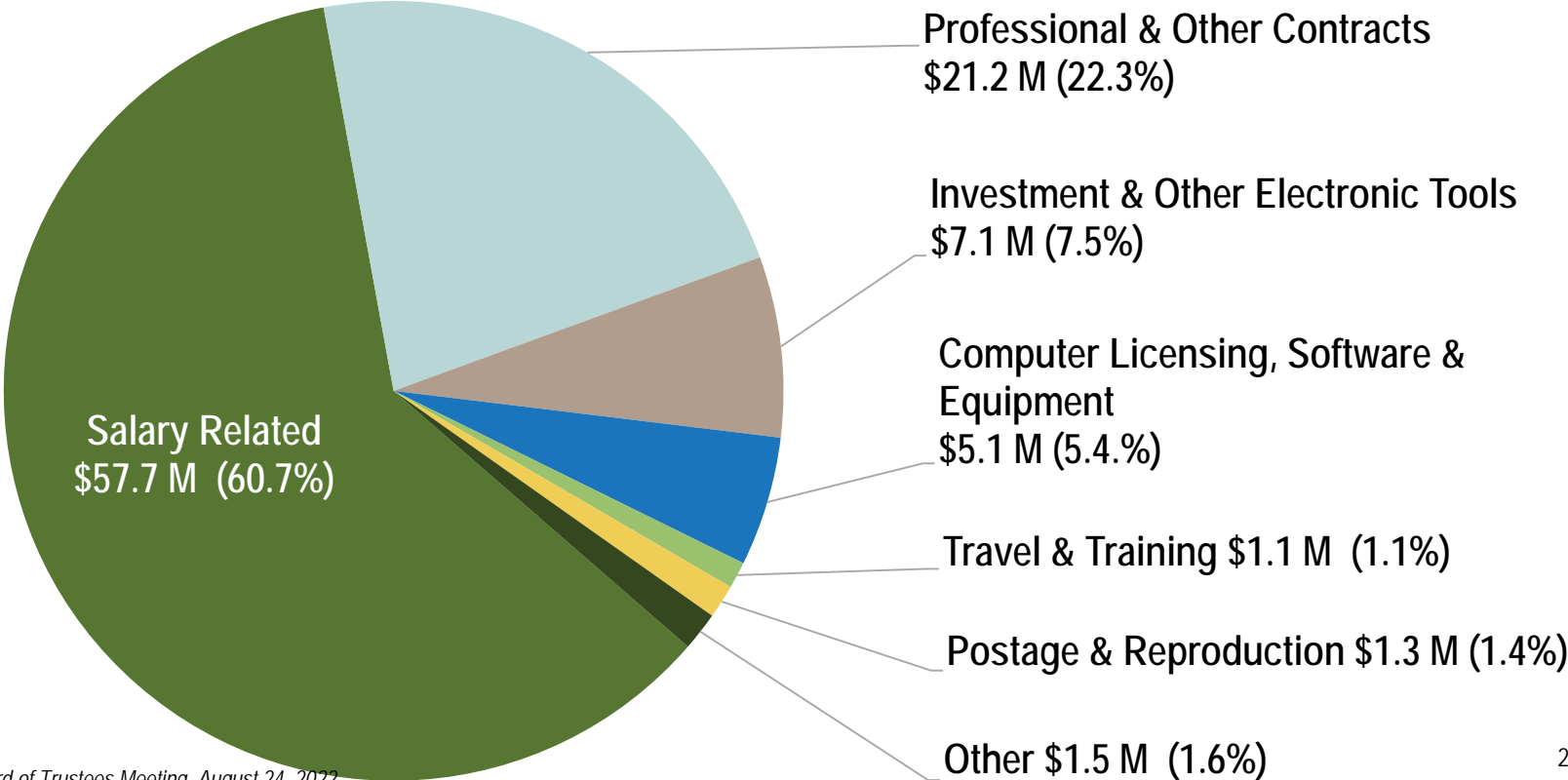
Proposed New FTEs	
Customer Benefits	4
Human Resources	4
Information Systems	1
Operations Support	1
Procurement & Contract Oversight	1
Executive Office (vacancy pool)	1
Total	12



Proposed Fiscal Year 2023 Operating Budget



All categories

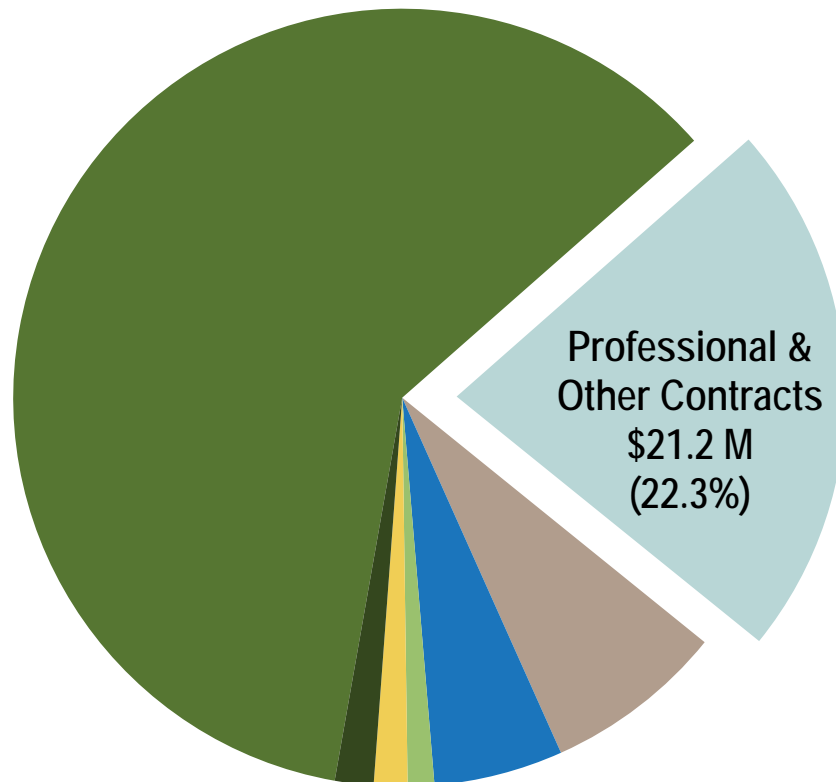


Proposed Fiscal Year 2023 Operating Budget



Professional & other contracts – key drivers

- **Reduction of customer wait times**
 - Group O expansion
- **System modernization and maintenance**
 - RISE – project management, independent validation and verification
 - Upgrades/enhancements
 - Automation of manual processes through robotics
- **Data quality and security**
- **HIPAA privacy review**
- **Biennial expenses**
 - Trustee election
 - Increased actuarial services

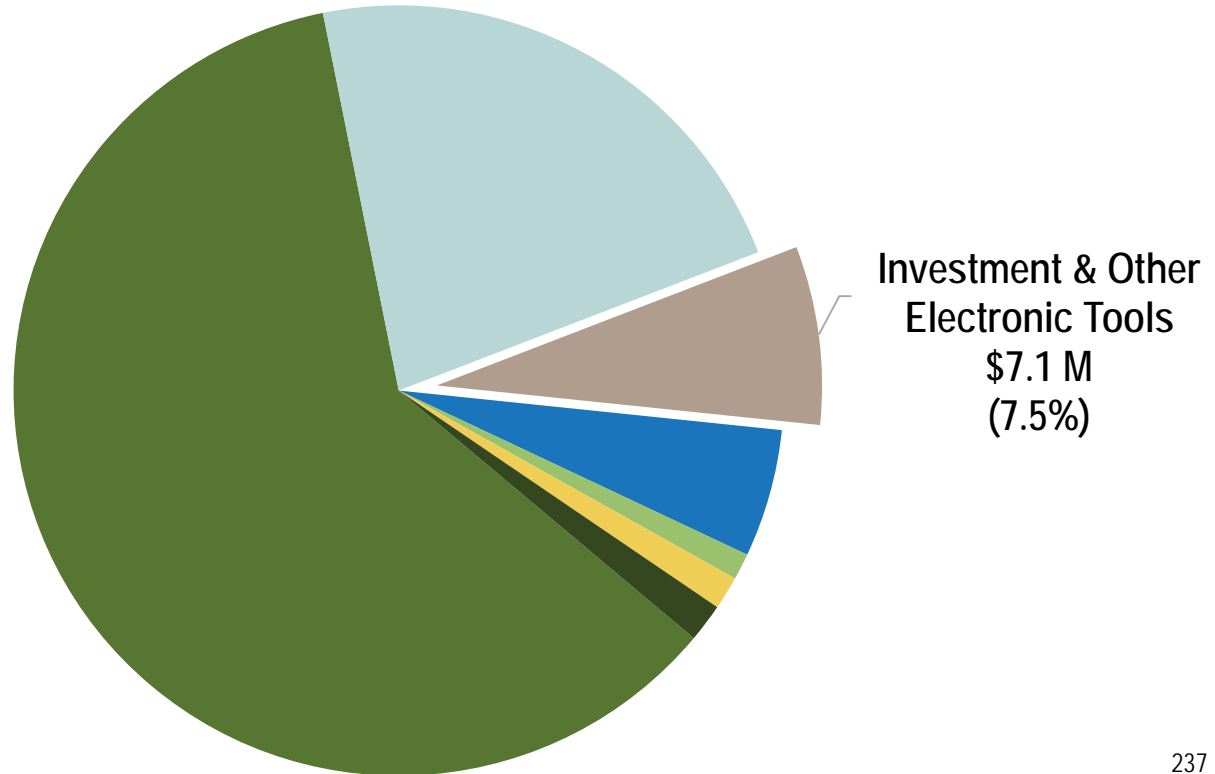


Proposed Fiscal Year 2023 Operating Budget



Investment & other electronic tools – key drivers

- Subscriptions to investment research services and tools

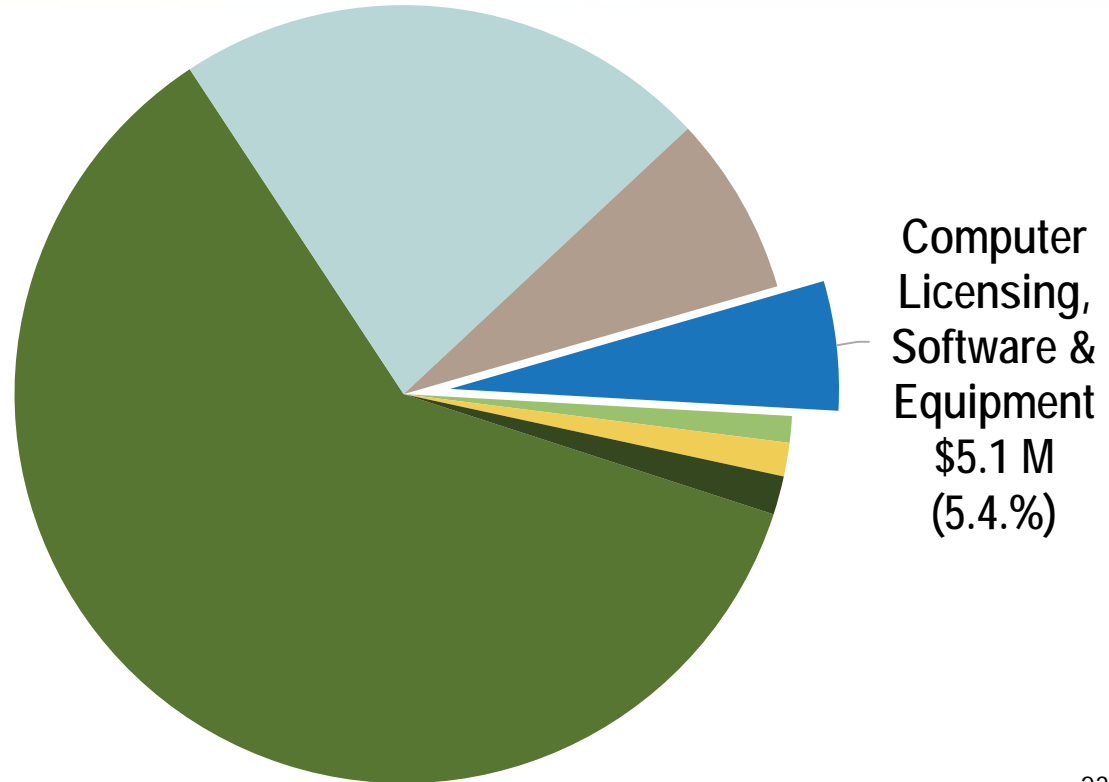


Proposed Fiscal Year 2023 Operating Budget



Computer licensing, software & equipment – key drivers

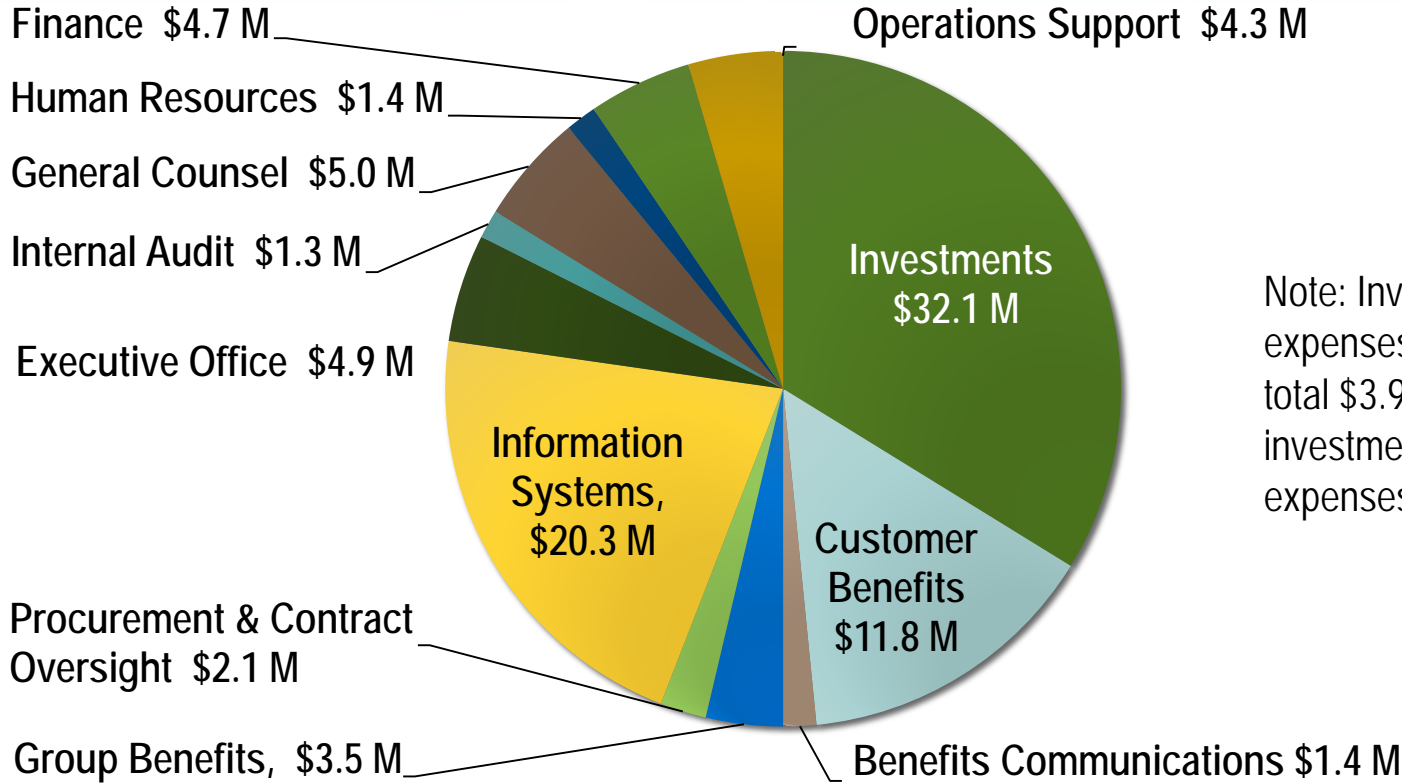
- 70+ computer software applications
- Lease and procurement of computer and telecommunications equipment



Proposed Fiscal Year 2023 Operating Budget



By division



Note: Investment-related expenses in other divisions total \$3.9 M, for total direct investment-related expenses of \$36 M.

Key Metrics

As reported to Legislative Budget Board



	As of Aug. 31, 2021
Percent of ERS Retirees Expressing Satisfaction with Member Benefit Services	98.01%
Investment expense as basis points of net position	12.00 bps
Percent of time ERS OnLine is available to customers	98.44%
Percent of HealthSelect of Texas participants satisfied with TPA services	90.20%
Percent of medical claims processed within 22 business days	98.63%
Percent of all electronic pharmacy claims processed within 15 business days	100.00%

Customer Trends



	2006	2011	2016	2021
ERS				
Active members	132,411	137,293	146,390	136,726
Inactive members	61,567	84,900	108,873	145,050
Retirees and beneficiaries	67,596	83,430	103,758	120,294
LECOS				
Active members	37,103	36,806	39,066	32,498
Inactive members	33 (vested)	5,785	15,203	29,626
Retirees and beneficiaries	5,318	7,728	11,515	15,343
GBP Participants	506,342	527,266	532,943	538,000

Proposed Fiscal Year 2023 Capital and Property Management Budget



	FY22	FY23
Capital - software and building renovations <i>FY23 budget includes 3- to 11-year projects</i>	\$1.0 M	\$150.0 M
Property management	\$1.5 M	\$2.3 M
Total	\$2.4 M	\$152.3 M

Proposed FY23 Budgets



Exhibit B: Contracts and other costs notes

- Professional and other contracted services – Executive Director authorized to contract on behalf of ERS
- Notes are referenced in division budget
- Investment advisor fees are presented in detail in Exhibit B – Note 3

Questions?
Action Item