Board of Trustees Meeting

August 24, 2022

ERS
Employees Retirement System of Texas

Presented for Review and Approval

December 6, 2022

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BOARD OF TRUSTEES MEETING
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
August 24, 2022

TRUSTEES PRESENT
Catherine Melvin, Board Chair
Dr. Jim Kee, Vice Chair
Brian Barth, Member
Neika Clark, Member
I. Craig Hester, Member
John R. Rutherford, Member

ERS DIRECTORS PRESENT
Porter Wilson, Executive Director
Cathy Terrell, Deputy Executive Director
Jennifer Chambers, Director of Government Relations & Special Projects
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
Shack Nail, Special Projects & Policy Advisor
Machelle Pharr, Chief Financial Officer
Gabrielle Schreiber, Director of Procurement and Contract Oversight
DeeDee Sterns, Director of Human Resources
Kathryn Tesar, Director of Benefits Communications
Chuck Turner, Director of Information Systems
David Veal, Chief Investment Officer

ERS STAFF PRESENT
Jason Avants, Information Systems
Amy Chamberlain, Government Relations & Special Projects
Raquel Colón, Investments
Kurt Cressotti, Internal Audit
Kelley Davenport, Executive Office
Blaise Duran, Group Benefits
Leah Erard, Government Relations & Special Projects
Tiffani Jenkins, Benefits Communications
Lanesia Jones, Investments
Debbie Legg, Group Benefits
Emily Miller, Office of General Counsel
Jamey Pauley, Enterprise Planning Office
Tanna Ridgway, Investments
Christopher Roland, Information Systems
Robert Sessa, Investments
Ariana Whaley, Government Relations & Special Projects

ALSO PRESENT
John Barksdale, CBRE
Bo Beacham, CBRE
John Posey, Legislative Budget Board
Phil Dial, Rudd & Wisdom, Inc.
Charlie Smith, Legislative Budget Board
David Tolliver, Optum Rx

Meeting of the ERS Board of Trustees

20. 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 2:44 p.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 2:23 p.m. on Tuesday, August 16, 2022, as required by Chapter 551 Texas Government Code, referred to as the Open Meetings Act."

21. Consideration of the Minutes to the May 11, 2022 ERS Board of Trustees Meeting – (ACTION)

Catherine Melvin, Chair, opened the floor for a motion on the approval of the minutes from the May 11, 2022 ERS Board of Trustees meeting.

Move that the Board of Trustees approve the minutes to the meeting held on May 11, 2022

Motion by Brian Barth, second by Craig Hester
Final Resolution: Motion Carries
Aye: Brian Barth, Neika Clark, Craig Hester, Jim Kee, Catherine Melvin
Abstained: John R. Rutherford

22. Consideration of Proposed Member Contribution Rates for HealthSelect Medicare Advantage Preferred Provider Organization Plan for Calendar Year 2023 – (Action)

Diana Kongevick, Director of Group Benefits, Blaise Duran, FSA, Group Benefits Actuarial and Reporting Services, and Phil Dial, Rudd & Wisdom, Inc., consulting actuary, presented proposed HealthSelect^{SM} Medicare Advantage Preferred Provider Organization (MA PPO) member contribution rates for Calendar Year 2023.

Ms. Kongevick noted that HealthSelect MA PPO is a fully insured PPO medical plan customized for the Employees Retirement System of Texas (ERS). It is not the same plan offered to the general public. The federal government subsidizes the medical plan cost which results in lower retiree cost and reduced program cost. Sierra Health and Life Insurance Company (UnitedHealthcare®) became the insurer effective January 2021.

Mr. Duran stated that the HealthSelect MA PPO plan continues to be the most cost-effective medical and prescription drug plan for retirees. Those enrolled in the plan receive prescription drug benefits through the self-funded HealthSelect^{SM} Medicare Rx plan, with medical coverage fully insured by UnitedHealthcare.

To determine cost effectiveness and ensure savings to the state and eligible enrolled participants, ERS compares the proposed MA PPO premium rate to the cost of coverage under HealthSelect of Texas® (HealthSelect), the largest health insurance plan under the Texas Employees Group Benefits Program (GBP). ERS uses a theoretical cost index (TCI) model in that comparison. The TCI estimates the total cost required to cover the HealthSelect MA PPO's participants as if the participants were enrolled in HealthSelect. The proposed premium rate must fall within TCI guidelines. The HealthSelect MA PPO member contribution rate is composed of three elements – HealthSelect MA PPO plan premium, the projected cost of HealthSelect Medicare Rx drug coverage and any Medical Loss Ratio (MLR) rebate credits.

While ERS received a total of $5 million in MLR rebates from two of the GBP participating HMO plans in PY20 and PY21, which was distributed to members through a small dependent premium reduction for those two years, MLR rebates were not received in PY22. As a result a MLR rebate credit does not apply to PY23.

ERS staff and the consulting actuary recommend increasing the CY23 HealthSelect MA PPO contribution rate to $213.32, which is an increase of $33.84 or 18.9%. The HealthSelect MA PPO fully insured medical premium rate guarantee remains at $40 for CY23, the last year to which the guarantee applies. The primary cost item driving the increase relates to prescription drugs. Even so, the CY23 contribution rate is still well below the CY20 HealthSelect MA PPO contribution rate of $303.40.

There being no further discussion, Ms. Melvin called for a motion.

Move that the Board of Trustees approve the Calendar Year 2023 member contribution rates for the HealthSelect Medicare Advantage PPO Plan offered under the Texas Employees Group Benefits Program, as presented in this agenda item, effective January 1, 2023.

Motion by Brian Barth second by John R. Rutherford
Final Resolution: Motion Carries
Aye: Brian Barth, Neika Clark, Craig Hester, Jim Kee, Catherine Melvin, John R. Rutherford

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

Mr. Porter Wilson, ERS Executive Director, and Ms. Machelle Pharr, Chief Financial Officer, presented the ERS Fiscal Year Operating Budget for approval. Mr. Wilson outlined significant accomplishments that had been achieved with the FY22 budget including initial implementation of Group 4. Mr. Wilson noted that implementing and communicating the policies and procedures, in addition to completing ERS and external payroll system changes September 1 was no small feat. Mr. Wilson spoke of the continuing participation growth in the 401(k)/457 plans as well as the management of Texa\$aver℠ products. He also highlighted that this is the sixth consecutive year that premium contributions have remained stable in the HealthSelect℠ program, an unprecedented track record. The premium stability remained even though the plan provided additional benefits such as the ones enacted in response to COVID.

Mr. Wilson spoke of the various ways in which ERS engages in conversation with members, retirees and stakeholder groups. ERS has expanded communication methods, while resuming in person counseling sessions. He spoke to the agency's efforts on performance and accountability including the survey of employee engagement, recruitment of staff for the contact center through direct employment and issuance of the Request for Proposal (RFP) for the Retirement Insurance System Employment (RISE). Mr. Wilson spoke to efforts to finalize the contract for the first outside tenant in 1836 that would take approximately 60,000 square feet of the building.

Mr. Wilson then outlined major initiatives for FY23. He reminded the Board that the main ERS fund is on a path toward 100% funding in the next 32 years. Two other funds are on a path of depletion – the Law Enforcement and Custodial Officer (LECO) Supplemental Retirement Fund and the Judicial Retirement System Plan Two. Improving the financial stability of both of those funds will be considered as part of the upcoming legislative session. He and other ERS staff members will provide information as requested and will appear before legislative bodies where this will be further discussed.

Other agency initiatives have budget implications, including funds for the upcoming trustee election for one of the elected positions on the board. Mr. Wilson mentioned several RFPs that were in various stages that have impact to the budget, including transaction cost analysis, pharmacy benefit manager and the RISE (Retirement Insurance System Enhancement) project. Mr. Wilson then spoke about renovation of the main building, enhancements to the ERS website, and continuing implementation of Group 4.

Ms. Pharr informed the Board that the budget request for FY23 is $94.9 million. She reminded the board of the budget process, which takes an in-depth review of prior year budgets to remove any one-time expenditure needs, as well as opportunities to decrease expenses associated with ongoing activities to cover biennial costs. This becomes the initial budget on which each division reviews and provides input. The FY23 budget is a 7.7% increase over the FY22 budget. Ms. Pharr reminded the board that for the FY20 budget a 4% increase was presented and approved by the Board. However, mid-year COVID struck. All agencies were asked to reduce their budgets by 5%, which ERS did. The FY21 budget remained flat at that 5% reduction. For FY22, the 5% was restored to the budget and increased by an additional 2%, including seven new full time employee (FTE) positions.

Ms. Pharr stated that the FY23 budget represents a $6.8 million increase and an increase of 12 positions to address the initiatives Mr. Wilson laid out including reducing the wait times in the Benefit

Counseling Center and improving the survivor benefit processing timelines. She specified that salaries account for approximately 61% of the budget and that half of the increase in the salary related costs is associated with the new FTES. She stated that four of the 12 new positions were for Customer Benefits, the agency's largest division. She specified that of those four positions, two would be working on survivor benefits to reduce the processing time for death benefits. One FTE is to assist with training as we increase the number of training classes in order to keep benefit counselor positions filled. One position will be assisting with data as conversion of data is a critical component of the RISE implementation.

Ms. Pharr stated that we are requesting four new positions for the HR team which currently consists of seven individuals and has stayed relatively flat as the agency has grown. Two of these positions would be to assist with recruitment and development internship programs. One position is for a compensation analyst. While we perform a compensation study every two to three years in Investments, it is not regularly done in other areas. The final position is for day-to-day activities including on-boarding new hires, temporary employees and contractors, including background checks. Mr. Wilson expressed that the HR positions were very important positions for the agency, particularly the compensation specialist. The current ad hoc process is not enough to maintain market parity. This will allow the agency to have a strategic, centralized process.

Mr. Hester asked about the agency's turnover rates. Mr. Wilson had HR Director DeeDee Sterns, respond. Ms. Sterns stated that we have seen a significant jump in the turnover rate and that we are currently trending at 16%. Last year about this time, we were at 10.6%. The top reason given for departure is pay.

Dr. Kee noted that we are asking for 12 positions in the budget and asked how many vacancies we have today. Ms. Sterns replied that as of today we have 72, last Friday we were at 69.

Mr. Hester stated that last year Ms. Sterns had provided statistics on the length of time it was taking to fill a position. Is the trend the same? About 100 days? Ms. Sterns replied yes, over 100 days. She stated that last year we trended a little higher about 162 days. This year we are trending at about 117 days.

Mr. Hester stated that ERS inability to hire seemed to be an issue for state government in general not a problem with management. Mr. Hester stated that there is a pay-gap issue. He acknowledged that opportunities to work remotely has made the marketplace even more competitive.

Ms. Melvin asked Ms. Pharr to explain how ERS handles lapsing salaries. Ms. Pharr explained that there are a couple of considerations. First, ERS does not budget 100% of salaries, there is a 2% assumed lapse. Unspent salary dollars remain in the trust. Ms. Melvin asked if the funds are transferred. Ms. Pharr explained that lapsing salary budget may be moved to contracted temps if a division is using a temporary to fill in for the vacancy. Ms. Melvin asked if divisions have the latitude to use lapsing salaries to promote existing staff rather than waiting to post and competitively fill the position.

Ms. Pharr explain that merit and promotion funds are included in each division's budget. If division management wants to use lapsing salaries they would need to ask for an exception to policy as it would create an on-going increase to the budget. Ms. Pharr also stated that we have some funds in the executive budget that a division can request for additional salary increases. Mr. Wilson mentioned that lapsing salaries are available for one-time merits and that efforts have been made during the last six to eight months to strategize on salary funding needs of the divisions. Ms. Pharr also mentioned the additional funding provided by the Board for recruitment and retention for position not eligible for ICP and how those funds had been deployed.

Mr. Hester asked for confirmation that the $94 million budget included merit and promotion of 1.5%. Ms. Pharr confirmed that it does.

Dr. Kee asked Ms. Sterns the number of full-time employees is 416. Ms. Sterns stated that we have 418 positions, but the headcount is approximately 360 at this time.

Dr. Kee asked if it had ever been higher than 360 to which she responded yes that we have reached approximately 380. Dr. Kee asked for clarification on the number of FTEs to which Ms. Pharr stated that the approved FTEs for last year 424. Ms. Pharr went on to clarify that while we are asking for one FTE for

Information System in the budget, it is actually two positions of which one will be added mid-year. Dr. Kee asked so the bottom line FTEs will grow by 13. Ms. Pharr stated that it will increase the number of positions by 13.

Ms. Pharr went on to speak about the second largest category of the budget, professional and other contracts. When combined with salary related costs, the two make up 83% of the budget. Professional and other contracts include actuarial services, the call center contract, and outside legal counsel. Some of the increases for FY23 include an increase in the outsourced call center to handle more complex insurance calls, and new contract services for project management and independent validation and verification services for the RISE project. It also includes biennial costs such as the trustee election and actuarial services for fiscal notes.

Ms. Pharr mentioned that other components of the budget include electronic tools we use for investments, which total of about $7.1 million. Other key drivers are computer licensing software and equipment. Ms. Pharr mentioned that our IS team manages more than 70 computer software applications for the agency. She mentioned that we buy and lease computer and telecommunication equipment and the budget includes replacement of some of that equipment.

Ms. Pharr went on to state that another perspective of looking at the budget is by division. Customer Benefits is the largest division in number of FTEs, but Investments is the largest division in terms of dollars, with a budget of $32.1 million. She mentioned that we have other direct investment-related expenses in other divisions of the agency such as Investment Accounting in Finance, the Compliance Officer in Internal Audit, and attorneys in the Office of the General Counsel. Together with the Investment division, the total direct investment related costs are approximately $36 million or 38% of the budget.

Ms. Pharr referred to the audit presented in the May board meeting which recommended including more metrics as part of the document. Ms. Pharr presented outcome measures that ERS currently reports to the legislative budget board that have very strict definition and precise calculations. She stated that a similar process is being undertaken for internal metrics. Ms. Pharr went on to provide information on the number of active and inactive members and retirees since 2006 in five year increments which constitutes a large part of the workload for the agency.

Ms. Melvin asked about the timing of the metrics, and what would be available when presenting next year’s budget. Ms. Pharr stated that the metrics presented were annual as they were outcome measures. Output measures are typically reported on a quarterly basis so the type of measure could play into the timing. Ms. Melvin noted that the intent is to tie the measures back to the approved budget. Mr. Wilson noted that for annual measures we may need to use something other than fiscal year, possibly annual based on a May or June date. He indicated that we would be working on this so that we can talk about budget in terms of customer service, contracts processed, system managed, members served, and other potential measurements.

Ms. Pharr mentioned that the audit had stated that one element missing from the budget document was a comparison of the projections made to the actual expenditures. That information for FY21 is presented on page 62. ERS came in under budget in FY21 with projected expenditures of $78.7 million, compared to actual expenditures of $77.7 million.

Ms. Pharr gave the history of the capital budget which was introduced in FY19. She explained that for FY23 the agency is seeking funding to renovate the ERS headquarters building and to implement the RISE project. She noted that both requests are for multi-year projects. The building renovations are expected to take two to three years and were part of the original space planning project. Replacing the system that is used throughout ERS and the state to manage the benefits – insurance and pension – is expected to take at least six years. The RISE project will use a commercial off the shelf project with functionality built-in. ERS will implement and license the product. The total requested capital budget is $152.3 million. Mr. Wilson pointed out that while these are multi-year projects, these will service our members and employees for many years beyond that stating that he could not recall the last time we upgraded the system. Ms. Terrell stated that we have had the same benefits administration system for over 20 years.

Ms. Pharr called the Board's attention to Exhibit B which provides information on the contracts included in the budget as well as an estimate of the investment advisory fees which are not included in the budget and reminded the board that this is an action item.

Ms. Melvin asked if there were any comments. Mr. Hester asked Ms. Sterns if he understood correctly that there were over 20 vacancies in the IT department alone to which Ms. Sterns replied that there were at least 18. Mr. Hester pointed out that this is the third largest division. He recommended that the budget be amended to include a 1.5% recruitment and retention budget for the positions not eligible for ICP which equates to approximately $495,000 with benefits. This will bump the budget up to an 8.3% increase, but while this seems high, inflation is running higher and it's important to address the shrinking workforce in this extremely competitive environment. Mr. Rutherford asked if it was enough.

Mr. Hester said that is a good point. Is it enough? Mr. Wilson stated that is hard to know and it is one of the reasons for a compensation specialist so that we can give more precision. Board members discussed the proposed amendment and the funds included in the budget for merit and promotion. Mr. Hester clarified that the reason his proposal is targeted to the positions not eligible for ICP is that the bulk of the 72 vacant positions are in customer benefits and IT.

Ms. Melvin noted that is a strong argument for investing in the HR team and having more information on ERS competitiveness in the future. The Board requested that this continue to be a focus and bring information back to the board in a future board meeting.

Mr. Wilson agreed stating that we can provide information on recruitment and retention similarly to what we have done with the challenge in customer benefits. The Board continued discussion on the challenging work environment. Mr. Wilson stated that he would include information in the December agency update as well as future board updates.

Mr. Hester stated that amending the budget to include the 1.5% recruitment and retention pool for positions not eligible for ICP was about 42 basis points. Dr. Kee asked for a reminder of what was added last year. Ms. Pharr stated that it was about 1%. Dr. Kee mentioned that if you go back to 2015, the annual growth rate is about 4.7% per year. He asked if that was the target long-term annual growth. Mr. Wilson stated that while we look at the growth in state budget and our peers and try to align ourselves, he is more focused on the outcomes and what is needed to achieve those outcomes. You have to consider the growth in population such as inactive members going from 61,000 to 145,000 and the growth of retirees from 67,000 to 120,000. We are their only point of contact. You have to look at the IT demands and the assets under management. All of these are factors in considering the budget request. Dr. Kee stated that is what he is getting to, that the volume of work has been equal to or greater than 4.7%. Mr. Wilson mentioned one example is procurement. When he arrived in 2015, we had a very decentralized procurement process with less than one FTE in several divisions working on procurements. Due to the procurement laws, ERS now has an entire division focused on procurements. Those competitive biddings have served the State well but they require resources. As it relates to the 18 to 20 vacancies we have in IT, we are able to cover much of that workload with contractors. That is more expensive, but we are able to get the work done.

Ms. Melvin asked for the motion reader to read the motion including Mr. Hester's amendment.

Move that the Board of Trustees adopt the Fiscal Year 2023 proposed operating budget, including contingency, as amended to add $495,000 for recruitment and retention and the Fiscal Year 2023 capital and property management budget.

Motion by Craig Hester, second by Brian Barth
Final Resolution: Motion Carries
Aye: Brian Barth, Neika Clark, Craig Hester, Jim Kee, Catherine Melvin, John R. Rutherford

<u>24. Consideration of Proposed Rules for the Implementation of the Cash Balance Benefit (Group 4) – (Action)</u>

Mr. Bernie Hajovsky, Director of Enterprise Planning, and Ms. Robin Hardaway, Director of Customer Benefits, presented proposed amendments and administrative rules for the Group 4 cash balance benefit. The rules will apply to employees joining the state workforce beginning September 1, 2022. Mr. Hajovsky covered the highlights of the cash balance benefit structure, noting that member account balances grow steadily over time and that retirees are guaranteed lifetime income in retirement. He also discussed the process for developing the proposed amendments and rules to administer Group 4 benefits.

Ms. Hardaway highlighted the proposed addition of rules specific to the cash balance benefit. Key rules include clarification of custodial officers' entitlement to enhanced benefits, the purchase of withdrawn service for proportionate retirement purposes, survivor and partial lump-sum options for retirees, and a methodology to calculate and apply annual interest and gain sharing to Group 4 accounts. Ms. Hardaway also outlined the proposed amendments to existing administrative rules for Group 4 administration, which clarify that most service purchases are excluded, service transfers between ERS and TRS do not apply, and unused leave does not count toward retirement eligibility.

Mr. Hajovsky stated that ERS received no public comments on the proposed amendments and rules, which were shared with ERS membership and stakeholder groups in July.

Following questions and comments from the trustees, the Board took the following action:

Move that the Board of Trustees adopt proposed amendments to Texas Administrative Code Title 34, Part 4, Chapter 71 (Creditable Service) and Chapter 73 (Benefits) as detailed in Exhibits A and B to this agenda item. Further move that the Board of Trustees adopt new Chapter 76 (Cash Balance Benefit) as detailed in Exhibit C to this agenda item.

Motion by Craig Hester, second by Brian Barth
Final Resolution: Motion Carries
Aye: Craig Hester, Brian Barth, Neika Clark, Jim Kee, Catherine Melvin, John Rutherford

25. Consideration of Retirement Actuarial Factors for the Cash Balance Benefit (Group 4) – (Action)

Ariana Whaley, Pension Policy, Executive Office, and Robin Hardaway, Director of Customer Benefits, presented the Group 4 actuarial factors used to determine annuity values for the new cash balance retirement benefit. ERS' pension consulting actuaries at Gabriel, Roeder, Smith & Company developed the methodology to determine the actuarial factors based on the mortality assumptions adopted by the Board. This is similar to the methodology used by the Texas Municipal Retirement System and the Texas County and District Retirement System for a cash balance retirement benefit. Ms. Whaley presented the new annuity conversion factor that captures the member's life expectancy at retirement to determine the starting standard annuity.

Ms. Hardaway presented the Group 4 annuity option reduction factors that are used to adjust the standard annuity if a member selects an annuity payment option including survivor options or guaranteed payments and a partial lump sum option. After some questions from Mr. Rutherford and Ms. Melvin, Ms. Hardaway noted that members are counseled as part of the retirement process, including the impact of various survivor benefit options on their annuity. She said that members appreciate the various options, the largest majority continue to select the standard option which gives them the maximum annuity value.

Ms. Hardaway presented several examples of Group 4 annuity calculations. Mr. Wilson added that the standard annuity is eligible for gain sharing up to 3% based on actual ERS investment performance. It is not a static amount because of the gain-sharing feature, which would provide for 1.5% increases each year if the Trust meets its investment return assumption of 7% each year.

Mr. Barth and Ms. Melvin prompted discussion around the importance of communicating this new retirement benefit. This discussion included how we will estimate realistic examples of annuity calculations for employees and communicate the retirement benefit when recruiting new state employees. Kathryn Tesar, Director of Benefits Communication, reported that ERS has been meeting with HR staff to provide accurate information about the cash balance benefit to explain that it is not a 401(k) plan. She noted various resources that ERS has provided to state agencies to assist with education and recruitment.

Move that the Board of Trustees adopt the proposed methodology for determining the actuarial factors necessary to calculate the benefits payable to Group 4 retirees as described in Exhibit A to this agenda item for Group 4 disability, death, and service retirement benefits beginning on September 1, 2022.

Motion by Neika Clark, second by Brian Barth
Final Resolution: Motion Carries
Aye: Brian Barth, Neika Clark, Craig Hester, Jim Kee, Catherine Melvin, John Rutherford

26. Review of the 2022 Board of Trustees Self-Evaluation Report

Mr. Bernie Hajovsky, Director of Enterprise Planning, presented results of the recent Board of Trustees self-evaluation, where the tenured trustees anonymously evaluated the board's performance from an individual and collective perspective. (Newly-appointed trustee John Rutherford did not participate in the self-evaluation.) Responses to the 49 statements were very positive and indicate an effective and highly functional board, as the trustees unanimously agreed on all but two of the statements.

Mr. Hajovsky highlighted the Board's strong grasp of ERS' mission and strategies for addressing key issues and its preparation and engagement during meetings. The Board effectively monitors program performance and ensures that appropriate audit functions are conducted. Although the Board has a good understanding of ERS' stakeholders, it may look to capitalize on future opportunities to communicate with stakeholders on ERS issues. Finally, the trustees comply with fiduciary responsibilities and act for the benefit of all members and retirees.

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

27. Agency Update

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

Customer Benefits "Action Beyond the Call" – Ms. Robin Hardaway, Director of Customer Benefits, provided an update on Action Beyond the Call including staff recruitment and retention, improving call answer times and processing times, and streamlining processes. Since May of 2022, 4 counselors were hired from the May training class. Currently there are 10 open counseling positions and 13 direct hires and temp-to-hire staff began training in mid-August. The Survivor Benefits functional area is fully staffed, except for the two additional positions provided as part of the budget process.

CPI – U Adjustment for Chapter 615 Benefits for Fiscal Year 2023 – ERS administers the state funded program which provides benefits to the survivors of certain law enforcement and other emergency-related first responders killed in the line of duty, as provided by Chapter 615, Texas Government Code. During the 86th Legislature, 2019, Tex. Gov't Code § 615 was amended to adjust the lump sum benefit payable to eligible survivors by an amount equal to the percentage change in the Consumer Price Index for All Urban Consumers for the previous calendar year. The System's actuary (Gabriel Roeder Smith and Company) reports the percentage change of the Consumer Price Index for All Urban Consumers from December 2020 to December 2021 is 7%. The amount of payment to eligible surviving families of certain law enforcement and other emergency-related first responders who are killed in the line of duty is based on deaths each fiscal year and will increase from $518,661.00 to $554,967.00 for Fiscal Year 2023.

Strategic Planning Update – ERS regularly reviews and evaluates the agency's long-term goals and direction as part of its strategic planning process. This year's effort focused on engaging with as many ERS employees as possible. The process consisted of 8 short surveys to all ERS employees with about 200 responses to each survey. The surveys were followed up with 7 small focus groups. More than 2,000 comments from the surveys and focus groups were used as background for an offsite strategic planning session where staff had the opportunity to interact with each other. The session resulted in actions that ERS should explore in ten key focus areas.

Legislative Appropriation Request – The Legislative Appropriations Request reflects the goals and objectives outlined in the Strategic Plan. Base level funding for retirement and group benefit programs was set at the same level as the second year of the current biennium. Items above the base level funding are considered exceptional items and must be itemized, prioritized, and justified in the LAR submission. ERS will request exceptional item funding to cover normal costs for LECOS and JRS 2 and attain actuarial soundness for LECOS and JRS 2.

Survey of Employee Engagement Results (SEE) – The SEE is administered by the Institute of Organizational Excellence at the University of Texas and is part of ERS' strategic planning efforts. In April 2022, ERS employees had an opportunity to provide feedback anonymously on the ERS workplace through the SEE. Employee response to the survey was high. There were 296 respondents and the agency earned an overall score was 386. Leadership of each division received a detailed score sheet and will work with the human resources team to develop an action plans to address areas of opportunity.

Summer Enrollment for Plan Year 2023 – Summer Enrollment was from June 20 – July 22. ERS held in-person Summer Enrollment fairs at state agencies and higher education institutions across Texas. ERS mailed over 255,000 personalized enrollment packets, the contact center and Group O received over 6,000 calls and members made over 59,000 coverage changes.

Preparation for Fall enrollment is underway to begin October 31 – November 18.

75th ERS Agency Anniversary – ERS' 75th Anniversary event is scheduled for the afternoon of September 28th. ERS began operations September 2, 1957 and Calendar Year 2022 marks the 75th anniversary. A save-the-date will be sent out to invited guests.

28. Executive Session – In accordance with Section 551.074, Texas Government Code, the Board will meet in executive session to deliberate the employment, evaluation, and duties of the Executive Director. 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 conference room for the executive session.

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 then called for members to entertain a motion.

Mr. Barth stated that the board set out specific evaluation criteria for Porter Wilson last year at this time. The criteria included expectations for leadership, management, communications, policy matters, and staff development. In addition, Porter is held accountable to lead the agency in achieving initiatives set forth in the agency budget. Porter and his team have met these expectations and have done excellent work in continuing to secure retirement and insurance benefits for ERS active and retired employees.

MOTION #1: Move that the Board of Trustees of the Employees Retirement System of Texas award ERS Executive Director Porter Wilson an increase in his annual compensation of 5%, effective September 1, 2022.

Motion by Brian Barth, second by Craig Hester
Final Resolution: Motion Carries
Aye: Brian Barth, Neika Clark, Craig Hester, Jim Kee, Catherine Melvin
Abstained: John R. Rutherford

MOTION #2: Move that the Executive Director be awarded the maximum incentive compensation award for which he is eligible based on his participation in the incentive compensation plan for Fiscal Year 2022: for qualitative, 100% of his 50%, which reflects his leadership and management accomplishments for the year; and for quantitative, 100% of his 50%, which is based on the trust fund's performance.

Motion by Brian Barth, second by Jim Kee
Final Resolution: Motion Carries
Aye: Brian Barth, Neika Clark, Craig Hester, Jim Kee, Catherine Melvin
Abstained: John R. Rutherford

MOTION #3: Move that the Board of Trustees of the Employees Retirement System of Texas affirm that, effective September 1, 2022, Porter Wilson, ERS Executive Director, is approved to participate in ERS's incentive compensation plan for investment professionals and leadership employees as a leadership employee, with the maximum award percentage available of 100% of his salary, in accordance with the terms of the plan.

Further move that Mr. Wilson's performance goals for Plan Year 2023 reflect 50% of his possible award under the ICP as a quantitative goal of relative trust fund performance and 50% of his possible award under the ICP, as a qualitative goal reflecting his overall agency leadership, management, communications, policy matters, staff development, and implementation of the agency's strategic initiatives as reflected in the board approved operating budget for Fiscal Year 2023.

Motion by Brian Barth, second by Craig Hester
Final Resolution: Motion Carries
Aye: Brian Barth, Neika Clark, Craig Hester, Jim Kee, Catherine Melvin
Abstained: John R. Rutherford

29. Election of Chair and Vice Chair of the Board of Trustees for Fiscal Year 2023 – (Action)

Texas Government Code Section 815.201 and 34 Texas Administrative Code Section 63.9, provides that the Board of Trustees shall elect new officers from its membership. As a result of such an election, the newly elected Chair (presiding officer) and Vice-Chair of the ERS Board of Trustees will each serve a one-year term beginning September 1, 2022 and ending August 31, 2023.

There being no further discussion, Ms. Melvin called for a motion.

Move that the Board of Trustees elect Dr. James Kee as Chair and Brian Barth as Vice-Chair of the ERS Board of Trustees for one-year terms beginning September 1, 2022 and ending August 31, 2023.

Motion by Catherine Melvin, second by Neika Clark
Final Resolution: Motion Carries
Aye: Brian Barth, Neika Clark, Craig Hester, Jim Kee, Catherine Melvin, John R. Rutherford

30. Adjournment of the Board of Trustees meeting

The Board of Trustees adjourned at 6:53 p.m. on Wednesday, August 24, 2022.