

AGENDA ITEM DETAILS

Subject: Consideration of Texa\$aver Plan Compliance and Operational Updates

Background

Texa\$averSM 401(k) and 457 Program

The ERS Board of Trustees serves as both Trustee and Plan Administrator for the Texa\$averSM 401(k) and 457 Program (collectively known as the Texa\$aver program). A defined contribution program, the Texa\$aver program allows participants to defer compensation and operates solely in the interest of participants and their beneficiaries. The program provides participants with diversified investment choices to meet their varying levels of needs and risk tolerance. Participants can elect to use Texa\$aver investments to supplement the ERS defined benefit retirement annuity.

During its May 22, 2019 meeting, the ERS Board of Trustees awarded the program's third party administrative (TPA) services contract to Great-West Life and Annuity Insurance Company (Empower), and the investment advisory services contract was awarded to Advised Assets Group, LLC (AAG) for a six-year term. AAG has rebranded and is now Empower Advisory Group, LLC (EAG).

Plan Management

As part of program oversight, ERS:

- ensures compliance with contract requirements, timeliness of performed services, and protection of financial interests;
- works with the Texa\$aver third party administrator to offer a plan that includes planning tools, financial and retirement planning education and advice, as well as a full suite of investment choices;
- evaluates the performance of the Texa\$aver program's core mutual fund options and collective investment trust offerings in partnership with an internal Texa\$aver Product Review Committee, and
- evaluates the effectiveness and efficiency of programs through data analytics, research and regular evaluation of best practices.

Both the 401(k) and 457 have their own eligibility rules and processing requirements, based on Internal Revenue Service regulations for the programs.

Contracting and Vendor Performance Management

ERS staff in the Group Benefits Division oversee the third party administration contract and investment advisory services for the Texa\$aver program. The contracts must be compliant with applicable regulations while offering the best value to members and participants. ERS manages this commitment through the development and administration of effective vendor contracts.

Each vendor contract defines the specific administrative services and deliverables to be performed in connection with the applicable benefit plan. Staff monitors each vendor's adherence to the contractual requirements, which include vendor guaranteed performance guarantees (PGs).

There is no state or employer funding provided for the administration of this program and participants pay the full cost through monthly program fees established by the ERS Board on an annual basis. Currently,

participants pay \$1.50 per account per month to participate. Staff reports to the Board annually on the vendor's performance and adherence to the contract.

Plan-specific Updates

Exhibits A and B include plan-specific information, compliance information and key statics for the Texa\$aver program which are tracked on a calendar year basis. Overall, contract compliance remains strong. However, Empower experienced one instance of a critical noncompliance issue related to the loading and processing of files.

In CY21, Empower experienced 12 moderate or minor noncompliance issues and one critical noncompliance item. In that same year, EAG experienced one minor noncompliance issue. In CY22, Empower experienced eight moderate or minor noncompliance issues with two under review and EAG experienced four minor issues with two under review.

This agenda item is presented for information purpose only. No action is required.

ATTACHMENTS:

1. 3yr PG Adherence, DC CY20-CY22 – (Confidential for Board Only)
2. Group Benefits Contract Values, DC CY21, CY22 – (Confidential for Board Only)
3. Exhibit A – Group Benefits Division Plan Manager Contract Monitoring Overview
4. Exhibit B – Texa\$aver 401(k) and 457 Plans Deferred Compensation Enrollment
5. Slides – Texa\$aver Compliance and Operational Update