

Public Agenda Item #30

Consideration of Texa\$aver Plan Compliance and Operational Updates

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Diana Kongevick, Director of Group Benefits

Angelica Harborth, Manager, Deferred Compensation Plans

Plan Compliance and Operational Updates



TexaSaverSM 401(k)/457 Program

TEXA\$SAVER
401(k) Program

- Established in 1985
- Available to employees of state agencies
- Procure plan administrator and investment advisory service providers through competitive bid process
- Feature automatic enrollment for new hires since 1/1/2008
- Offer traditional and Roth contributions

TEXA\$SAVER
457 Program

- Established in 1974
- Available to employees of eligible higher education and state agencies
- Procure plan administrator and investment advisory service providers through competitive bid process
- Offer traditional and Roth contributions

Plan Compliance and Operational Updates



Program Administration

- The Texa\$aver program consists of two separate vendor contracts.
- 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) now Empower Advisory Group (EAG).
- These contracts became effective in June 2019 for a six-year term.

Plan Compliance and Operational Updates



Program Updates

- Calendar Year (CY) 2023 Contribution Limits
 - Limit on elective deferrals, including pre-tax and Roth contributions increased from \$20,500 in CY22 to \$22,500 in CY23.
 - Additional catch-up limit for participants age 50 and above increased from \$6,500 in CY22 to \$7,500 in CY23.
 - Special governmental 457(b) plan additional catch-up limit for participants in the three years prior to normal retirement age increased from \$20,500 in 2022 to \$22,500 in 2023.

Plan Compliance and Operational Updates



Program Updates

- Secure 2.0 Act
 - On December 29, 2022 the SECURE 2.0 Act was signed into law expanding retirement plan provisions. Most of the changes don't go into effect until January 1, 2024 or later.
 - Several changes to the required minimum distribution (RMD) age are effective immediately.
 - RMD age raised to 73 (for anyone turning 72 on or after January 1, 2023)
 - Missed RMD Penalty Reduced — The penalty (excise) tax for failing to take an RMD payment is reduced from 50% of the missed payment to 25% of the missed RMD.

Plan Compliance and Operational Updates



Performance Guarantee Assessments

- A performance guarantee (PG) is connected to a business-critical service function(s) required of a vendor throughout the contract period.
- PG metrics are formulated from regulatory standards and industry best practices. Each PG is then risk-rated using risk assessment modeling and given a PG severity level.
- Severity levels identify the basis for the assessment amount in the event a PG is missed. The severity levels are:
 - Severity 1: Emergency
 - Severity 2: Critical
 - Severity 3: Moderate
 - Severity 4: Minor

Plan Compliance and Operational Updates

Empower CY21



Severity Level	PG Category	Summary of Vendor's Performance Results	PG Description and Determination	PG Requirement	Actual Performance
2	Critical	1 period of noncompliance (1 of 12 months)	Resolution of File and/or Transaction Data Errors 1 PG assessed	Any failure to escalate or resolve within 24 hours of notice to ERS	Not Met January
3	Moderate	8 periods of noncompliance (8 of 12 months)	Notification of File and/or Transaction Data Errors 7 PGs assessed	Any incidence of noncompliance	Not Met January, July - December
			Program Specific File Reporting 1 PGs assessed	Any incidence of noncompliance	Not Met January
4	Minor	4 periods of noncompliance (2 of 12 months)	Communication Materials 2 PGs assessed	Any incidence of noncompliance	Not Met January, June
		2 periods of noncompliance (2 of 4 Quarters)	Interval Service Levels (calls answered) 1 PG waived Interval Service Levels (calls answered) 1 PG assessed	80% of calls answered within 20 seconds	79.00% 3Q 2021 31.00% 4Q 2021

Plan Compliance and Operational Updates

Empower CY22



Severity Level	PG Category	Summary of Vendor's Performance Results	PG Description and Determination	PG Requirement	Actual Performance
3	Moderate	3 periods of noncompliance (3 of 12 months)	Notification of File and/or Transaction Data Errors 3 PGs assessed	Any incidence of noncompliance	Not Met January, February, March
4	Minor	4 periods of noncompliance (4 of 4 Quarters)	Interval Service Levels (calls answered) 3 PGs assessed 1 PG under review	80% of calls answered within 20 seconds	20.33% Q1 2022 35.00% Q2 2022 63.20% Q3 2022 75.07% Q4 2022
		1 period of noncompliance	Participant Satisfaction Rating 1 PG under review	90%	89.25% CY21

Plan Compliance and Operational Updates

Empower Advisory Group (EAG) CY21



Severity Level	PG Category	Summary of Vendor's Performance Results	PG Description and Determination	PG Requirement	Actual Performance
4	Minor	1 period of noncompliance (1 of 12 months)	Reporting Requirements 1 PG Assessed	Any occurrence when the requested report is not submitted by the required date	Not Met November

Plan Compliance and Operational Updates

Empower Advisory Group (EAG) CY22



Severity Level	PG Category	Summary of Vendor's Performance Results	PG Description and Determination	PG Requirement	Actual Performance
4	Minor	4 periods of noncompliance (4 of 4 Quarters)	Interval Service Levels (calls answered) 3 PGs assessed 1 PG under review	80% of calls answered within 20 seconds	55.60% Q1 2022 32.90% Q2 2022 61.00% Q3 2022 29.00% Q4 2022
		1 period of noncompliance	Participant Satisfaction Rating 1 PG under review	90%	89.25% CY21

Questions?