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April 28, 2023

Mr. Porter Wilson  
Executive Director  
Employees Retirement System  
of Texas  
Post Office Box 13207  
Austin, TX 78711-3207

Re: Recommended Member Contribution Rates for the  
Texas Income Protection Plan<sup>sm</sup> under the Texas  
Employees Group Benefits Program for Fiscal  
Year 2024

Dear Mr. Wilson:

The purpose of this correspondence is to present recommendations for member contribution rates for the Texas Income Protection Plan<sup>sm</sup> (TIPP) under the Texas Employees Group Benefits Program (GBP) for Fiscal Year 2024 (FY24).

### **Background**

The TIPP provides Short Term Disability (STD) and Long Term Disability (LTD) coverages under a self-funded arrangement administered by a third party administrator. Participation in the TIPP is voluntary. The TIPP is funded exclusively by member contributions; i.e., employers do not contribute toward the cost of the plans.

At its meeting on May 11, 2022, the Board of Trustees awarded a contract to Reed Group Management LLC (Reed) to provide third party administrative services and underwriting services for the TIPP in return for an administrative fee for a six-year term from January 1, 2023 to December 31, 2028.

Since the TIPP is funded exclusively by member contributions, those contributions must be adequate to provide for all costs under the plans.

At its meeting on May 11, 2022, the Board, the Trustees adopted the following recommendation of the staff and the consulting actuary.

- Maintain the member contribution rate for the STD plan at \$0.26 per \$100 of monthly covered salary for FY23.

- Increase the member contribution rate for the LTD plan 7.9% from \$0.63 to \$0.68 per \$100 of monthly covered salary for FY23.

### **FY24 Rate Analysis**

In order to develop recommended member contribution rates for the TIPP, we and the staff have projected the expected cost of coverage for FY24 based on (a) reasonable expectations of future claims determined through a review of plan experience, (b) anticipated claim payment patterns, (c) investment income expected to be earned on funds held by ERS in support of the plans and (d) the projected administrative fees included in the Reed contract.

Based on this analysis we reached the following conclusions:

- The member contribution rate currently in effect for the STD plan is somewhat higher than necessary to support the expected cost of coverage in FY24. We have determined that a \$0.02 reduction in the current rate will generate sufficient revenue to the cover expected cost of coverage in FY24.
- The member contribution rate currently in effect for the LTD plan will be adequate to support the expected cost of coverage in FY24. Accordingly, the LTD rate can be maintained at its current level.

### **Recommendation**

Based on the analysis described above and in consultation with the staff, we recommend the following:

- Reduce the member contribution rate for the STD plan from \$0.26 to \$0.24 per \$100 of monthly covered salary.
- Maintain the member contribution rate for the LTD plan at \$0.68 per \$100 of monthly covered salary.

It is our opinion that the member contribution rates recommended above will provide revenues sufficient to meet the expected obligations under the TIPP. The recommended rates are presented in the attachment.

Please let us know if you have questions or if you need additional information.

Sincerely,



Philip S. Dial

PSD:nlg

Enclosure

**GROUP BENEFITS PROGRAM**

**Texas Income Protection Plan<sup>SM</sup>**

**Recommended Monthly Member Contribution Rates for FY 2024**

<u>Plan</u>	<u>FY 2023</u>	<u>Recommended FY 2024</u>
Short Term Disability	\$ 0.26	\$ 0.24
Long Term Disability	0.68	0.68

Rates are per \$100 of monthly covered salary.