

**AGENDA ITEM DETAILS**

- Subject:** Consideration of Consent Agenda – (Action)
- Consideration of the Minutes to the May 17, 2023 Board of Trustees Meeting
  - Consideration of the Minutes to the May 17, 2023 Joint Meeting of the Board of Trustees and Investment Advisory Committee
  - Consideration of Audit Administrative Items: Internal Audit's Proposed Fiscal Year 2024 Audit Plan and Fiscal Year 2024 Annual Independence Report
  - CPI-U adjustment for Chapter 615 Benefits for Fiscal Year 2024
  - Consideration of updates to the Group Benefits Advisory Committee Charter

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**RECOMMENDED ACTION:**

Move that the Board approve all items on the Consent Agenda as presented.

The Board may approve all items on the Consent Agenda through one motion. Trustees should review the materials related to the Consent Agenda prior to the meeting, and any trustee may request that an item be removed from the Consent Agenda in order to allow for full discussion of the item. Once there is a motion to approve the items on the Consent Agenda, trustees may ask simple questions, request clarification, or engage in brief dialogue regarding any item before voting.

The Consent Agenda includes the following agenda items as presented below:

**Consideration of the Minutes to the May 17, 2023 Board of Trustees Meeting**

The minutes to the Employees Retirement System of Texas Board of Trustees meeting held on May 17, 2023 are included with this agenda item as **Exhibit A**.

**Consideration of the Minutes to the May 17, 2023 Joint Meeting of the Board of Trustees and Investment Advisory Committee**

The minutes to the Employees Retirement System of Texas Joint meeting of the Board of Trustees and Investment Advisory Committee held on May 17, 2023 are included with this agenda item as **Exhibit B**.

**Consideration of Audit Administrative Items: Internal Audit's Proposed Fiscal Year 2024 Audit Plan and Fiscal Year 2024 Annual Independence Report**

Proposed Annual Audit Plan

Internal Audit, through the Executive Office, submits the Internal Audit Proposed Internal Audit Plan for approval each year. The proposed FY24 Audit Plan is attached to the agenda item as **Exhibit C**.

Internal Audit develops the annual plan based on ERS' audit universe, stakeholder input, and an assessment of risk and exposures affecting ERS. The objective of a risk-based audit plan is to identify and prioritize operational functions that present the greatest risk to meeting agency objectives and goals. It also includes engagements of key operational and regulatory processes that were assessed lower risk ratings, but periodic review of the business functions and auditable units is deemed necessary and appropriate.

In assessing risk ratings for each auditable unit, Internal Audit focuses on the inherent risk of each function. Staff evaluates agency and program controls for their efficacy in addressing key inherent risk based on prior period audit engagements, discussions with senior management and industry knowledge.

Execution of the FY24 Audit Plan includes the use of external audit resources through co-source partnerships with independent CPA firms.

#### FY24 Annual Independence Report

In accordance with professional standards and the approved Employees Retirement System of Texas (ERS) Internal Audit Charter, the Director of Internal Audit must confirm the independence of the internal audit function and present the confirmation to the Board of Trustees annually. The FY24 Annual Independence Report is attached to the agenda item as **Exhibit D**.

#### **CPI-U adjustment for Chapter 615 Benefits for Fiscal Year 2024**

ERS administers benefits payable to the survivors of certain law enforcement and other emergency-related first responders who are killed in the line of duty, as provided by Chapter 615, Texas Government Code.

Tex. Gov't Code § 615 requires adjustments annually on 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 has reported the percentage change of the Consumer Price Index for All Urban Consumers from December 2021 to December 2022 (**Exhibit E**).

- Change in CPI-U December 2021 to December 2022:
  - 6.5%
- Updated chapter 615 lump sum payment for new deaths reported in Fiscal Year 2024 (September 1, 2023 thru August 31, 2024):
  - \$ \$591,040.00

Historical adjustments:

Fiscal Year 2021

- CPI-U 2.3%
- Chapter 615 lump sum payments for new deaths reported in Fiscal Year 2021 (September 1, 2020 thru August 31, 2021):
  - \$511,500.00

Fiscal Year 2022

- CPI-U 1.4%
- Chapter 615 lump sum payment for new deaths reported in Fiscal Year 2022 (September 1, 2021 thru August 31, 2022):
  - \$518,661.00

Fiscal Year 2023

- CPI-U 7%
- Chapter 615 lump sum payment for new deaths reported in Fiscal Year 2023 (September 1, 2022 thru August 31, 2023):
  - \$554,967.00

#### **Consideration of updates to the Group Benefits Advisory Committee Charter**

The Group Benefits Advisory Committee (GBAC) advises the ERS Board of Trustees on the planning and development of employee and retiree benefits under the Texas Employees Group Benefits Program (GBP). The Committee provides the Board with input from ERS participants, benefit experts and professionals to ensure that state benefits provide value to participants and employers, and remain competitive at a reasonable cost to members, retirees and their dependents. The 11-member GBAC represents a cross section of GBP-participating entities and stakeholder groups, including state agencies, institutions of higher education, retirees and benefits professionals.

The ERS Board of Trustees adopted the current version of the GBAC Governance Charter in August 2020. The Charter sets the framework for the Committee and defines its purpose, membership categories, requirements and term structure, nomination and appointment process, and meeting provisions to ensure the Committee's structure and activities function in a prudent, consistent manner. Employees review the Charter periodically to make certain its content is relevant and applicable to the Committee's work.

Upon review of the Charter, employees recommend revising language within Section 2.2, *Membership and Representation*, to allow the Board to consider and appoint a qualified applicant from another category if a vacant category has no applicants. For example, if the Committee has a vacancy in the small state agency category, and there are no applicants from a small state agency, then the Board may consider and appoint an applicant who is retired or is employed at a large or mid-sized state agency or an institution of higher education to fill the small state agency category. Employees also recommend revision to Section 4.2, *Term Limit*, to allow a Committee member to serve more than two (2) consecutive terms if there are no other qualified applicants to represent the category group. The proposed revisions to Section 2.2 and Section 4.2 are intended to help ensure representation from all category groups. The last proposed change is a minor revision to Section 5.3, *Nomination Process*, to clarify the process for reviewing applicants by ERS employees.

All of the proposed language changes within the Charter are highlighted below. **Exhibit F** is a redlined version of the current Charter, and **Exhibit G** is a clean version with the proposed changes.

## 2.2 Membership and Representation

The Board may appoint individuals to serve on the Committee as representatives of any of the following groups. It is the intent that no more than one representative of a group serve on the Committee at the same time, with the exception of the first two categories, which may be represented by no more than two concurrent appointments each. However, in the absence of a qualified applicant to fill a position in one of the State Agency, State Institutions of Higher Education, or Retiree categories, the Board may appoint another qualified State Agency, State Institution of Higher Education, or Retiree applicant, respectively, to serve on the committee.

- State Agencies, Large (800 or more FTEs listed in the General Appropriations Act for the current year)
- State Agencies, Mid-Sized (100 to 799 FTEs)
- State Agencies, Small (fewer than 100 FTEs)
- State Institutions of Higher Education, Four-Year
- State Institutions of Higher Education, Community and Junior Colleges
- Retiree, Medicare
- Retiree, Non-Medicare
- Health-Related Institution Academic, Administrator, or Healthcare Practitioner
- Insurance or Benefit Design Consultant or Professional

## 4.2 Term Limit

Individuals may serve no more than two consecutive terms on the committee, if reappointed by the Board. Trustees may appoint an individual to the committee who has served for two or more terms if that person has not held a seat on the committee during the last full term (three-year period), or if there are no other qualified applicants to represent the category group.

## 5.3 Nomination Process

ERS Executive Office staff will collect and review applications for open committee positions, initially ranking candidates by quality and diversity factors such as experience, knowledge of applicable subject matter, and representation of the benefits participant population. Executive Office staff will then present the initial rankings to management representatives and a group of divisional leaders across the agency. The cross-divisional group will finalize staff nominations to fill available open positions on the Committee.

ATTACHMENTS:

1. Exhibit A - Consideration of the Minutes to the May 17, 2023 Board of Trustees Meeting
2. Exhibit B - Consideration of the Minutes to the May 17, 2023 Joint Meeting of the Board of Trustees and Investment Advisory Committee
3. Exhibit C – Internal Audit Risk Assessment & Proposed FY24 Annual Audit Plan
4. Exhibit D – Annual Internal Audit Independence Assessment
5. Exhibit E – GRS letter regarding the CPI-U Increase for Calendar Year 2022
6. Exhibit F - GBAC Governance Charter (Redlined)
7. Exhibit G – GBAC Governance Charter (Clean)
8. Slides – Consent Agenda