

AGENDA ITEM DETAILS

- Subject:** Agency Update
- Results of the 2023 Board of Trustees Election
 - Customer Benefits “Action Beyond the Call”
 - Legislative Session Updates

Results of the 2023 Board of Trustee Election

Retiree Stuart Greenfield of Austin was certified on July 20 as the winner of the 2023 ERS Board of Trustees election.

Greenfield retired from the Texas Comptroller of Public Accounts with 29 years of state service. Greenfield stated, if elected, he would work to “advocate for investments to ensure a 13th check for retirees, ensure everyone covered by the ERS health plan knows all the benefits available to improve their lives, and educate employees on how to use the tax-free benefits provided to them.”

Texas agency employees who had an ERS account balance as of January 31, 2023, and retirees who are receiving an annuity from ERS were eligible to vote in this year’s election. Greenfield will fill the position currently held by Catherine Melvin of the Texas Department of Public Safety, whose term ends August 31. ERS extends its gratitude to Trustee Melvin for her dedicated service to our members, retirees and dependents. Greenfield’s term will run from September 1, 2023 to August 31, 2029.

Voting in this year’s election ran from May 12 through June 16. On July 20, YesElections, ERS’ election administrator, presented the election results which are provided below:

2023 Board of Trustees Election Results		
Candidate	Votes	% Received
<i>Stuart Greenfield</i>	<i>11,244</i>	<i>31%</i>
Ilesa Daniels	8,500	23%
Jimmy Jackson	7,483	21%
Suzy Whittenton	4,559	13%
Chris Nelson	4,514	12%
Total	36,300	100%

Customer Benefits “Action Beyond the Call” –

Service response times continue to improve as a result of multiple initiatives. Additional calls are now being outsourced to take advantage of additional staffing resources from the outsource contact center vendor. This complex transition require extensive training and mentoring of the vendor’s representatives.

At the same time, internal staffing remains a priority. Retirement training is underway for a newly hired training class, as well as subject matter training for our existing counselors.

Achievements since the last report in May:

- Full staff in the Benefits Counseling center with staffing above the approved number of full-time positions to account for attrition.
- Insurance volume (excluding Medicare) will be fully handled by Group O, our outsource vendor and the end of August.
- Internal staff including the new hires will all be retirement trained.
- Survivor benefits team is fully staffed and processing times continue to improve, but fluctuate.

Legislative Session Update –

The 88th Legislative Session commenced on January 10, 2023 and adjourned on May 29, 2023. ERS staff tracked over 200 pieces of legislation that were introduced that could have had an impact on ERS members, benefits programs or operations. ERS leadership and staff worked to educate lawmakers about the value of our insurance and retirement benefits to employees and retirees, as well as the Texas economy.

Line of Duty Death Benefits ***House Bill 90***

HB 90 extends Government Code Chapter 615 line of duty death benefits to members of the Texas Military Department. ERS will be working with the Texas Military Department to establish the process for determining eligibility and beneficiaries for these benefits.

Group Benefits Programs

The Legislature maintained funding levels for ERS Group Benefits Programs (GBP) for eligible employees', retirees' and dependents' health coverage. The state employee and retiree health plans receive just over \$2 B in appropriations each year of the biennium. This continues to be a significant commitment to the total compensation package for the state's workforce.

In addition to ongoing funding, a number of bills passed that positively affect participants' GBP benefits, such as extended contraceptive supply (HB 916), coverage for biomarker testing (SB 989), and limitations on prior authorizations for members with certain autoimmune diseases (HB 755).

Additionally, HB 4990 created the Texas Pharmaceutical Initiative which will craft a proposal to establish a cost-effective statewide prescription drug program. The initial business plan will be published by October 2024 and a representative from ERS will serve on the advisory council.

State of Texas Employee Pension Plans

Most importantly, this legislative session reversed years of funding decline for two of the three pre-funded pension plans, and not only continued, but intensified funding for the ERS plan.

State funding was provided to address the normal cost contribution shortfall and entirely eliminate the unfunded liabilities for both the Law Enforcement and Custodial Officer (LECO) and Judicial Retirement System 2 (JRS2) plans. These plans are on track to be 100% funded by the August 31, 2023 actuarial valuation. In addition, the Legislature passed Senate Bill 1245 which addresses the benefit structure for future elected judges.

Senate Bill 1245 – Judicial Cash Balance

SB 1245 creates a cash balance defined benefit plan for judges elected on or after September 1, 2024. Similar to the cash balance benefit implemented for the state employee plan, the JRS2 Cash Balance benefit features:

- New judicial officers contributing **6%** of their monthly pay (current judicial officers contribute 9.5%);
- Guaranteed annual **4%** interest on the member account;
- In addition to the guaranteed interest, members could receive additional annual interest through gain sharing. The gain sharing feature represents a shared-risk strategy to minimize future unfunded liabilities.
 - In years when the ERS Trust Fund average net 5-year returns exceeds 4%, this additional payments is shared 50/50 with the members;
 - Gain share is capped at 3% annually for the member;
 - At the time of retirement, the judicial officer's total account value is matched by the State at 150% and annuitized to create a lifetime benefit payment.
 - The gain share interest benefit will increase annuity payments for future retirees of the plan;

As it relates to the ERS plan, in addition to the required annual Legacy Payment of \$510 M per year, the Legislature appropriated a one-time \$900 M supplemental payment to further reduce the ERS plan's unfunded liabilities. This additional payment is projected to avoid \$5.1 B in interest costs to the state over the life of the Legacy Payment schedule.

In addition to current funding for the ERS pension plans, the Legislature included:

ERS Plan

- \$1 B (\$510 M each year) in the FY24-25 biennium in Legacy Payments to fully address the unfunded liability by Fiscal Year 2054

LECO Plan

- Increased the state contribution to meet LECO Plan normal cost
- \$772 M Lump Sum Payment to fully eliminate the LECO unfunded liability

JRS2 Plan

- Increased the state contribution to meet the JRS2 Plan normal cost
- \$99 M Lump Sum Payment to fully eliminate the JRS2 unfunded liability

Supplemental Appropriations Bill

- \$900 M for a one-time, additional payment to further pay down the state's unfunded liability for the ERS Plan.

This level of funding and commitment by the Legislature, puts the ERS plan in a position to fulfill the requirements of a state mandated cost of living allowance for retirees following the August 2024 valuation.

ATTACHMENTS:

1. Slides - Agency Update