

Public Agenda Item #10

Agency Update

August 23, 2023

Porter Wilson, Executive Director

Agency Update

Board of Trustees Election



- Congratulations to retiree Dr. Stuart Greenfield of Austin
- Six-year term begins September 1, 2023

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

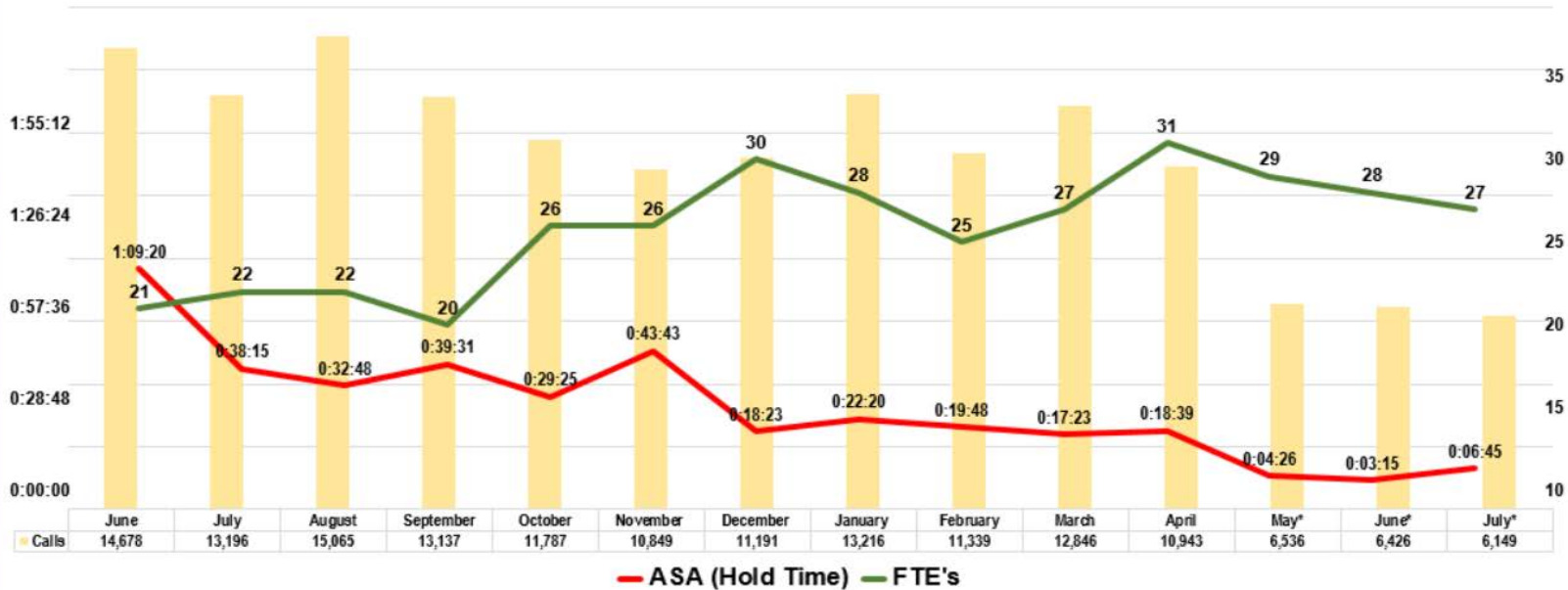
Customer Benefits “Action Beyond the Call”

- **Contact Center:**
 - Fully staffed with additional resources.
 - New hire training class started this week and internal training continues.
 - Call answer times stabilizing.
- **Outsource Contact Center (Group O):**
 - Insurance calls (excluding Medicare) will be fully outsourced 9-1-2023.
- **Survivor Benefits:**
 - Fully staffed as of this month.
 - Processing times significantly improved.

Benefit Counseling Data



Benefits Counseling Center FY 22-23



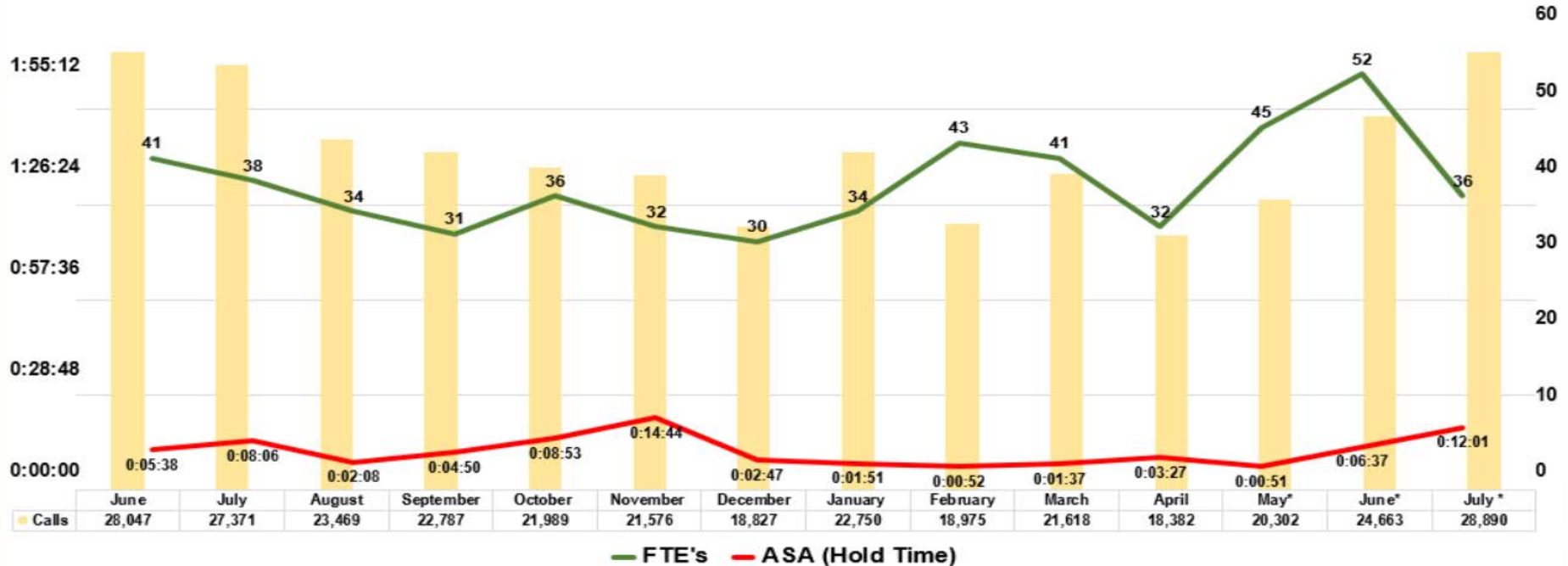
*Insurance Queue has been handled by both ERS and Group O since May 2023. Stats for that queue are being reported independently since May.

May:
 Calls: 4,983
 ASA: 10:34
June:
 Calls: 4,684
 ASA: 4:25
July:
 Calls: 4,666
 ASA: 3:59

Outsource Call Center Data



Outsource Call Center (Group O) FY 22-23

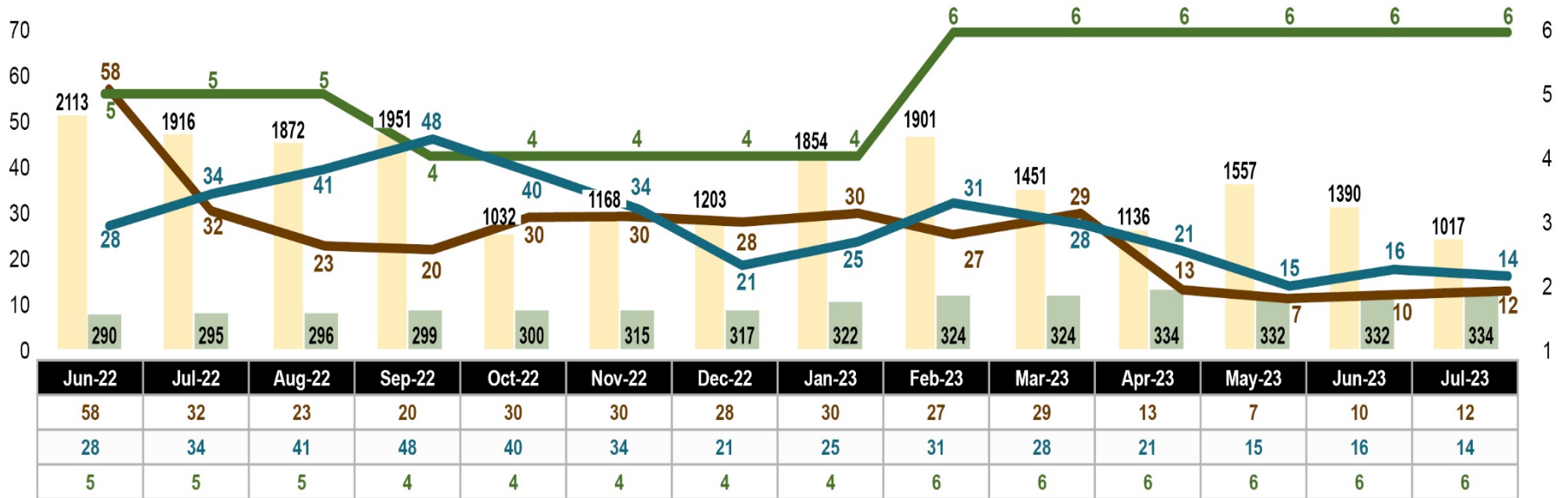


Survivor Benefits Data



Survivor Benefits / Death Processing

Worklist Chapter 615



88th Legislative Session Update



Regular session adjourned on May 29, 2023

- Focus on strategies to further improve ERS pension plan funding
- Address funding issues for LECOS and JRS2 pension plans
- Continued funding for health plan benefits and policy changes that benefit health plan members

88th Legislative Session Update

State Employee Group Benefits Program



Budget:

- **HB 1** -- maintained funding levels at over \$2B in each year of the biennium

Legislation:

- **HB 916** - 12 month contraceptive supply
- **SB 989** - requires coverage for biomarker testing
- **HB 755** - places limitation on prior authorizations for certain autoimmune diseases
- **HB 4990** - creates the Texas Pharmaceutical Initiative
 - Goal to establish a cost-effective statewide prescription drug program
 - ERS will serve on the advisory council
 - Initial business plan due in October 2024

88th Legislative Session Update



HB 90 - extends Government Code, Chapter 615 line-of-duty death benefits to members of the Texas Military Department

- Applies to deaths which occurred while on state active duty
- Working with the Texas Military Department on implementation

HB 1939 - creates a new option for an increasing annuity in retirement

- 2% annual increase
- Applies only to ERS plan Groups 1, 2 and 3
- Required to be actuarially neutral to the plan
- Retirements after 9/1/2024

88th Legislative Session Update

Judicial Cash Balance



- **SB 1245** creates cash balance benefit for judges elected after 9/1/2024
- Same cash balance benefit and contribution structure as ERS Group 4
 - Contribute **6% of monthly pay**
 - Guaranteed **annual 4% interest**
 - Potential for up to **3% annual gain share** interest payment
 - At retirement, account balance is **matched at 150%** to calculate **guaranteed lifetime annuity**
 - Gain share increases **continue in retirement**

88th Legislative Session Update

State Employee Pension Plans - status as of 8/31/22



Funded Status	ERS	LECOS	JRS 2
Unfunded Liability	\$14.2 B	\$715 M	\$89 M
Funded Ratio	68.9%	58.6%	86.2%
Projected Depletion Date	None	2045	2069

	Meets ERS Funding Policy Guidelines & Priorities		
Cover Normal Cost	✓	✗	✗
Avoid Trust Fund Depletion	✓	✗	✗
Meet Statutory Funding Period	8/31/24	✗	✗
Address Unfunded Liability	LEGACY PAYMENTS \$510m per year	✗	✗
Meet Additional Funding Standards	Fully Funded by 2054	✗	✗

88th Legislative Session Update

State Employee Pension Plans – House Bill 1 (88R)



	Meets ERS Funding Policy Guidelines and Priorities		
	ERS	LECOS	JRS 2
Cover Normal Cost	✓	+1.25% ✓	+3.587 ✓
Avoid Trust Fund Depletion	✓	✓	✓
Meet Statutory Funding Period	8/31/2024	✓	✓
Address Unfunded Liability	LEGACY PAYMENTS \$165.6m FY 23 settle-up + \$510m per year (FY 24-25) <div style="border: 1px solid black; padding: 5px; display: inline-block;"> \$900m one-time payment </div>	<u>ELIMINATE LIABILITY</u> \$772m one-time payment	<u>ELIMINATE LIABILITY</u> \$99m one-time payment
Meet Additional Funding Standards	Fully funded by 2054	✓	✓

88th Legislative Session Update

Summary



- Maintained or increased current state contributions for all plans
- Eliminated unfunded liabilities for LECOS and JRS2
- Addressed ERS liabilities
 - \$510 M Legacy Payment
 - One-time \$900 M supplemental payment to further reduce unfunded liabilities
 - Projected to avoid \$5.1 B in future state payments

This level of funding and ongoing commitment by the Legislature, positions the plan to fulfill the state mandated cost-of-living adjustment for certain retirees following the August 2024 valuation.

Discussion