



Board of Trustees Meeting

March 20, 2024



Presented for Review and Approval

May 22, 2024

TABLE OF CONTENTS

22. Reconvene Meeting of the Board of Trustees.....2

23. Stakeholder Connection: A Panel Discussion with ERS State Agency Member Employers.....2

24. Consideration of Texas Employees Group Benefits Program Update.....2

25. Agency Update.....4

- Leasing Update Regarding 1836 San Jacinto Boulevard
- Survey of Employee Engagement
- 2024 Get Fit Texas Challenge
- Recent Agency Developments

26. Executive Session.....5

In accordance with Section 551.071, Texas Government Code, the Board of Trustees will meet in executive session to consult with its attorney to seek advice on legal matters, including pending or contemplated litigation and other legal matters in which the duty of the attorney to the Board of Trustees under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with the Open Meetings Act.

In accordance with Section 551.072, Texas Government Code, the Board of Trustees will meet in executive session to deliberate the purchase, exchange, lease, or value of real property at 1836 San Jacinto Boulevard.

In accordance with Section 551.089, Texas Government Code, the Board will meet in executive session to discuss: (1) security assessments or deployments relating to information resources technology; (2) network security information as described by Section 2059.055(b); or (3) the deployment, or specific occasions for implementation, security personnel, critical infrastructure, or security devices. Thereafter, the Board may consider appropriate action in open session.

27. Reminder Regarding Future Meetings of the Board of Trustees, Investment Advisory Committee, and Audit Committee5

28. Adjournment of the Board of Trustees Meeting.....6

BOARD OF TRUSTEES MEETING
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
March 20, 2024

TRUSTEES PRESENT

Brian Barth, Board Chair
I. Craig Hester, Vice Chair
Neika Clark, Member
Dr. Stuart Greenfield, Member
Dr. Jim Kee, Member
John R. Rutherford, Member

ERS DIRECTORS PRESENT

Porter Wilson, Executive Director
Cathy Terrell, Deputy Executive Director
Anne Allensworth, Special Advisor
Jennifer Chambers, Director of Government Relations & Special Projects
Tony Chavez, Director of Internal Audit
Blaise Duran, Director Group Benefits
Bernie Hajovsky, Director of Enterprise Planning Office
Cynthia Hamilton, General Counsel
Robin Hardaway, Director of Customer Benefits
Shack Nail, Special Projects & Policy Advisor
Machelle Pharr, Chief Financial Officer
Gabrielle Schreiber, Director of Procurement and Contract Oversight
DeeDee Sterns, Director of Human Resources
Kathryn Tesar, Director of Benefits Communications
Chuck Turner, Director of Information Systems
David Veal, Chief Investment Officer
Wendy McAdams, Director of Operations Services

ERS STAFF PRESENT

Charles Baker, Information Systems
Maggie Baker, Office of General Counsel
Amy Chamberlain, Government Relations & Special Projects
Raquel Colon, Investments
Anthony Curtiss, Investments
Kelley Davenport, Executive Office
Leah Erard, Government Relations & Special Projects
Aaron Hatt, Office of General Counsel
Angelica Harborth, Group Benefits
Tiffani Jenkins, Benefits Communications
Will Koenig, Internal Audit
Tressie Landry, Internal Audit
Deborah Legg, Group Benefits
Dani Levrie, Benefits Communications
Nancy Lippa, Office of General Counsel
Rhonda McCray, Human Resources
Averi Mullins, Group Benefits
Samantha Ramirez, Investments
Matt Riemersma, Information Systems
Chris Roland, Information Systems
Ben Schuman, Investments
Cheryl Scott Ryan, Office of General Counsel
Gabe Torres, Executive Office
Rodney Valls, Internal Audit

ALSO PRESENT

John Barksdale, CBRE
Andy Baumann, United Healthcare
Bo Beacham, CBRE
Ann Bishop, Texas Public Employees Association
Lisa Craven, Texas Comptroller of Public Accounts
Philip Dial, Rudd & Wisdom, Inc.
Brian Francis, Texas Department of Licensing and Regulations
Jeff Hardt, United Healthcare
Ray Hymel, Texas Public Employees Association
Pati McCandless, Blue Cross Blue Shield of Texas
John Posey, Legislative Budget Board
Christine Riffe, Texas Department of Licensing and Regulations
Casey Sharp, Blue Cross Blue Shield of Texas

Meeting of the ERS Board of Trustees

22. Reconvene the Meeting of the Board of Trustees

Board Chair Brian Barth announced the Board of Trustees has reconvened at 4:08 p.m. on Wednesday, March 20, 2024 to take up the remaining items listed on the agenda.

23. Stakeholder Connection: A Panel Discussion with ERS State Agency Member Employers

Jennifer Chambers, Director of Government Relations, introduced Lisa Craven, Deputy Comptroller and Chief of Staff with the Texas Comptroller of Public Accounts, and Brian Francis, Interim Executive Director with the Texas Department of Licensing and Regulation, to speak with the Board. This recurring agenda item will provide the Board with an opportunity to hear from different groups served by ERS and to get input about the value of the state's benefits, and how ERS can better support members and agencies across the state.

Lisa Craven, Chief of Staff and Deputy Comptroller, Texas Comptroller of Public Accounts (CPA) and Brian Francis, Acting Executive Director, Texas Department of Licensing and Regulations (TDLR) were the panelists.

The focus of their comments related to how state benefit offerings assist in their roles as employers. Ms. Craven provided examples of their agency recruitment information which highlights the value of the state benefits to new employees, with early career and newer employees most interested in the health insurance benefits. Mr. Francis shared his experience using information provided by ERS for the agency's new employee orientation and finds it helpful to retain a talented workforce. TDLR uses the wellness tools to engage employees with the wellness programs offered by the state health plan. Speaking to opportunities for improvement, Ms. Craven mentioned the need for more businesses to support employees' personal business needs in the Capitol Complex, such as a food establishment with affordable prices. In closing, Mr. Francis emphasized how important timely, high quality customer service is to ERS members.

There was no further discussion or questions on this item, and no action was taken.

24. Consideration of Texas Employees Group Benefits Program Update

Blaise Duran, Director of Group Benefits, and Amy Chamberlain, Communications Specialist with Government Relations & Special Projects, provided an update on the Group Benefits Program. ERS staff annually provides an update on both the Group Benefits Program (GBP) financial and non-financial performance measures which are intended to provide the Board with insight into the program.

Mr. Duran updated the board on the impact on the GBP of the Change Health cyberattack. Change Health is a subsidiary of UnitedHealthcare that provides a number of services, including serving as a medical claims clearinghouse. Change Health was hit by a ransomware attack that subsequently affected a lot of providers. After discussions with GBP administrators and carriers, Mr. Duran reported that there is no known direct impact of the cyberattack on GBP participants.

Mr. Duran also updated the board on the current status of the HealthSelect Medicare Advantage network. While negotiations continue with Austin Radiological Association (ARA) they remain out of network. Mr. Duran reported he had no other concerns with the status of the network and that other large contracts had been renegotiated successfully.

Mr. Duran addressed the public testimony given earlier in the day, stating that it was not ERS' expectation that members would have made multiple phone calls to receive a medication that was clearly needed and that ERS staff was working with ESI in order to improve the call center experience and streamline the prior authorization process.

Currently non-financial performance measures are provided for:

- HealthSelect Network Performance;
- HealthSelect Competitiveness of Benefits;
- HealthSelect Utilization;
- HealthSelect Participant Satisfaction;
- Assess Manage Prevent (AMP) program; and
- State of Texas Dental Choice

Mr. Duran reported that the virtual visit utilization continues to increase and telemedicine utilization decreased in the last two years. More members are using virtual visits for mental health needs. More thorough measures for mental health will be provided in future meetings.

To provide additional context around State of Texas Dental Choice network utilization, Mr. Duran showed the percent of claims paid in network. Although the network has grown, the number of claims paid in-network has decreased. In Plan Year 2022 it was 69.6% and Plan Year 2023 it was at 68.2%.

Mr. Duran talked about the Plan Year 2022 and 2023 HealthSelect performance measures for participant satisfaction with HealthSelect Rx PBM services. In Plan Year 2022 the participant satisfaction was at 97% and dropped to 79% in Plan Year 2023 with a benchmark of 85%.

Ms. Chamberlain presented the Group Benefits Annual Report for Fiscal Year 2023. She said that the report is a main communication for the Legislature on what the \$3 billion health plan looks like, how ERS manages the costs, what the health trends are, and how ERS manages to deliver competitive health care benefits for a sustainable cost.

ERS insures 1 in 56 Texans who are employees in state agencies and higher education institutions, retirees, and their dependents. About 80% are enrolled in HealthSelect of Texas and there is a growing number of retirees enrolling in the HealthSelect Medicare Advantage plan.

In the report there is a spotlight section that differs every year, and this year ERS decided to focus the spotlight on the Medicare Advantage plan. For Fiscal Year 2023, HealthSelect Medicare Advantage members saved \$93.9 million in individual and dependent premiums as compared to enrollment in the traditional HealthSelect plan. Since the inception of HealthSelect Medicare Advantage in Fiscal Year 2012, enrolled members have saved \$634 million collectively in member contributions.

The annual average health care costs for all participants is \$6,844, but that average is higher for participants living with a chronic condition. The top 5 most prevalent chronic conditions among the HealthSelect population were Hypertension (16%); Mental Health (20%); Back and joint pain (19%); Diabetes (14%); and Heart disease (9%).

Mr. Duran reported the top four highest-cost drug therapeutic classes account for 57% of total drug spend. The diabetic therapeutic class is the largest cost driver within pharmacy spend and includes five of the top 10 highest-cost prescription drugs. The increased utilization of GLP-1 agonists (Ozempic, Mounjaro, etc.) is driving the large increase in spending.

Mr. Duran reported the cost impact of the utilization of GLP-1 agonists on the plan. Regarding the upward trajectory of diabetic drug costs, Dr. Greenfield asked about the drugs included in the analysis and Mr. Duran explained the analysis included all drugs for the treatment of diabetes, including insulin and older GLP-1 drugs that were less popular than the GLP-1 drugs recently introduced. Mr. Duran reiterated that the plan only covers GLP-1 drugs for the treatment of diabetes. The plan excludes coverage of medications taken strictly for weight loss. Dr. Greenfield and Mr. Duran acknowledged that the trajectory of spend on these drugs would increase very quickly if coverage were expanded.

Regarding the wellness program mentioned in the report, Ms. Chamberlain described the online virtual wellness platform available at no cost to employees, thanks to the efforts of Ms. Wolff and other agency wellness coordinators. The statewide virtual fitness platform is an online hub of live fitness classes led by state employees and offered at no cost to state and higher education employees across Texas.

Ms. Chamberlain concluded with the various strategies used to bring down the monthly cost of member-only coverage from \$3,057 to \$623, with negotiated network discounts comprising the bulk of the savings. She mentioned that savings calculations come from the work of consulting actuary Rudd & Wisdom.

There was no further discussion or questions on this item and no action was taken.

25. Agency Update

Executive Director Porter Wilson, provided an Agency Update.

Leasing Update Regarding 1836 San Jacinto Boulevard –

John Barksdale and Bo Beacham of CBRE provided the Board with an update on the current status of the Austin Central Business District (CBD) Market which included details of current vacancy rates, available square footage for leasing, details of pre-leasing for buildings under construction and CBD sublease availabilities. Below are some highlights on what was presented:

- New construction starts have continued to stall, with zero groundbreakings occurring during the second half of 2023.
- Current Vacancy Rates
 - Market wide: 23.1% | 15,022,034 SF
 - CBD 22.8% | 3,397,902 SF
- Available SF for leasing
 - Market wide 29.8% | 19,053,922 SF
 - CBD: 31.2% | 4,649,760 SF
- Pre-leasing for Buildings Under Construction
 - 5 buildings Under Construction
 - 2,288,330 SF | 43.47% Pre-Leased
- CBD Sublease Availabilities
 - 1,580,797 SF

Austin return to office Q1 2024

- Austin, Houston, and Dallas metros continue to lead the nation in office occupancy rates.

Survey of Employee Engagement –

The Survey of Employee Engagement (SEE) is conducted by the Institute for Organizational Excellence at UT Austin every two years. It gives participating ERS employees the opportunity to comment on their workplace and jobs anonymously.

ERS launched the survey on January 8, 2024, and the scores are currently being compiled by UT. Once the survey results are available, ERS shares them with the Board and all employees.

2024 Get Fit Texas Challenge –

The 2024 Get Fit Texas Challenge kicked off on January 22, 2024 and runs through March 31, 2024. The challenge offers the chance for employees to get active in an agency-to-agency competition to see who can claim the title of being the “Fittest State Agency.” ERS has been in first place several times and was the 2nd Fittest State Agency in the mid-size category last year.

26. Executive Session - In accordance with Section 551.071, Texas Government Code, the Board of Trustees will meet in executive session to consult with its attorney to seek advice on legal matters, including pending or contemplated litigation and other legal matters in which the duty of the attorney to the Board of Trustees under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with the Open Meetings Act.

In accordance with Section 551.072, Texas Government Code, the Board of Trustees will meet in executive session to deliberate the purchase, exchange, lease, or value of real property At 1836 San Jacinto Boulevard.

In accordance with Section 551.089, Texas Government Code, the Board will meet in executive Session to discuss: (1) security assessments or deployments relating to information resources Technology; (2) network security information as described by Section 2059.055(b); or (3) the Deployment, or specific occasions for implementation, security personnel, critical infrastructure, Or security devices. Thereafter, the Board may consider appropriate action in open session.

Mr. Barth announced the Board’s intent to convene in executive session, and the Board moved to a separate conference room for the executive session.

Upon returning from executive session, Mr. Barth announced that no action was taken by the Board while in executive session. Mr. Barth then called the members to entertain a motion. There was none called and no action was taken.

27. Reminder Regarding Future Meetings of the Board of Trustees, Investment Advisory Committee, and Audit Committee

The next meeting of the Board of Trustees, Investment Advisory Committee, and Audit Committee will be held on May 22, 2024.

Fiscal Year 2024 Meeting Dates

2-day Workshop:
Tuesday, December 5, 2023
Wednesday, December 6, 2023

Wednesday, March 20, 2024

Wednesday, May 22, 2024
Wednesday, August 21, 2024

28. Adjournment of the Board of Trustees Meeting

The Board of Trustees adjourned at 7:12 p.m. on Wednesday, March 20, 2024.