

AGENDA ITEM DETAILS

Subject: Review, Discussion and Consideration of the Proposed TexaSaver 401(k)/457 Program Rates - (ACTION)

RECOMMENDED ACTION:

Move that the Board of Trustees of the Employees Retirement System of Texas approve the proposed administrative fee structure for the TexaSaver program.

The Employees Retirement System of Texas (ERS) administers the TexaSaverSM 401(k) / 457 Program (TexaSaver program) – a voluntary tax-deferred supplemental retirement program developed to help state and eligible higher education employees with their personal retirement savings through elective payroll contributions to complement their ERS pension and Social Security benefits.

The TexaSaver 457 Plan originated in 1974 and is available to employees of both state agencies and higher education institutions. The TexaSaver 401(k) Plan has been available to employees of state agencies since 1985. State employees hired after January 1, 2008 are automatically enrolled into the 401(k) plan at 1% of salary unless they choose to opt-out. They can also increase their contribution and change from the default investment option, which is a target date fund selected for them based on their age.

The ERS Board established a Roth contribution option in both the 401(k) and 457 plans effective January 1, 2012. The Roth option allows employees to designate all or a portion of their monthly TexaSaver contribution as an after-tax contribution, in accordance with Section 402(a) of the Internal Revenue Code of 1986.

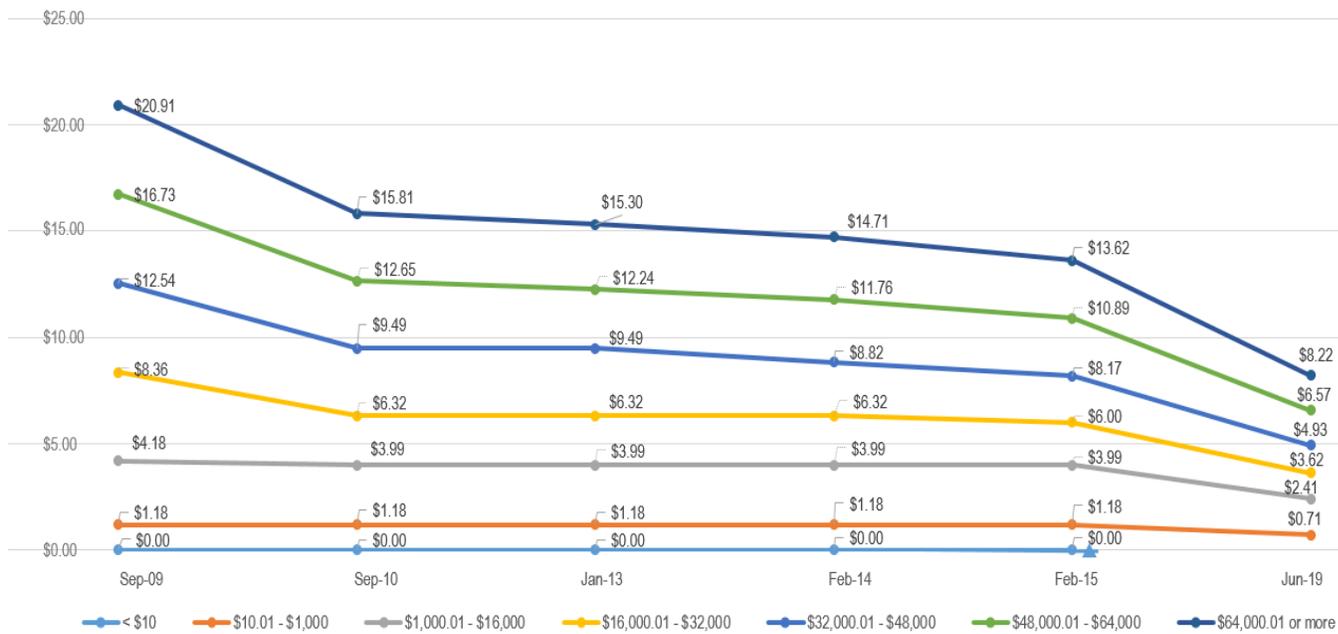
TexaSaver Program Fees

ERS does not receive appropriated funds from the Texas Legislature for the administrative cost of the TexaSaver program. Instead, costs are assessed to participant accounts in the form of a monthly administrative fee. The monthly administrative fees are collected from participant accounts by the program's third party administrator, Great-West Life & Annuity Company (Empower Retirement). These fees are structured to generate sufficient revenue to meet the recordkeeping and ERS internal costs associated with the administration of the program. The administrative fees are assessed to the 401(k) and 457 plan accounts on a monthly basis.

Program Fee Stratification design. ERS adopted a stratified or tiered fee structure for TexaSaver participant fees effective September 1, 2009. The Actuarial and Reporting Services (ARS) area of the Group Benefits division designed the fee stratification tiers based on the participant's account balance.

ARS reviews the stratification tiers to ensure the fees generate sufficient revenue to cover all program costs, including ERS' internal costs. ARS staff will also propose any necessary adjustments based on actual enrollment figures. These periodic reviews have resulted in several fee reductions throughout the years. The ERS Board of Trustees has been presented and approved seven recommended fee changes since the inception of the tiered fee structure through August 2019.

**Participant Fee Changes
by Account Balance Tier**
September 2009 – August 2019



Additional Fee changes:

October 2018 - Monthly fees to be charged per participant, per account (eliminate per contribution type fees)

May 2019 - Eliminated \$10 or less tier, moving those participants to \$1,000 or less tier (eliminate 'no fee' tier)

The most recent fee reduction occurred June 1, 2019 following the May 2019 contract award for third party administration that significantly lowered the account administration costs. Empower Retirement was awarded the new contract and agreed to terminate the existing contract and charge the new, lower contract rates, effective June 1, 2019. The reduced fees were immediately passed on to Texa\$aver participants. ARS formulated a fixed percentage reduction across all levels of the Participant fee schedule to reduce the fees by 39.67%, consistent with the new favorable contract terms.

Administrative Fee review

Based on the most recent review, ARS is proposing an additional 15% reduction to the monthly fees effective May 1, 2020 as shown in the chart below. The reduction is based on actual enrollment in the program. While account balances in the program are growing, administrative costs have remained level.

**TexaSaver Program
Proposed Monthly Administrative Fees**

Account Balance	Current Monthly Fee Effective June 1, 2019 (Per Participant, Per Account)	Proposed Monthly Fee Effective May 1, 2020 (Per Participant, Per Account)	Monthly Fee Change (Per Participant, Per Account)
\$1,000.00 or less	\$ 0.71	\$ 0.60	\$ (0.11)
\$1,000.01 to \$16,000.00	\$ 2.41	\$ 2.05	\$ (0.36)
\$16,000.01 to \$32,000.00	\$ 3.62	\$ 3.08	\$ (0.54)
\$32,000.01 to \$48,000.00	\$ 4.93	\$ 4.19	\$ (0.74)
\$48,000.01 to \$64,000.00	\$ 6.57	\$ 5.58	\$ (0.99)
\$64,000.01 or more	\$ 8.22	\$ 6.99	\$ (1.23)

ERS staff is continuing to review TexaSaver program fees, including the current tiered account fee methodology. Any recommendations for changing the fee structure will be brought to the Board for consideration.

STAFF RECOMMENDATION:

Move that the Board of Trustees of the Employees Retirement System of Texas approve the fee structure for the TexaSaver Program effective May 1, 2020.