

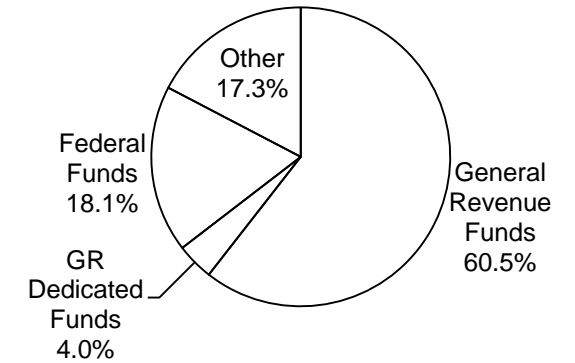
**Employee Retirement System
Summary of Recommendations - Senate**

Page: I-35
Ann Fuelberg, Executive Director

Demetrio Hernandez, LBB Analyst

Method of Financing	2010-11 Appropriations	2010-11 Base	2012-13 Recommended	Biennial Change	% Change
General Revenue Funds	\$1,966,651,861	\$2,122,270,000	\$1,988,436,270	(\$133,833,730)	(6.3%)
GR Dedicated Funds	\$122,336,771	\$127,589,677	\$132,183,314	\$4,593,637	3.6%
<i>Total GR-Related Funds</i>	<i>\$2,088,988,632</i>	<i>\$2,249,859,677</i>	<i>\$2,120,619,584</i>	<i>(\$129,240,093)</i>	<i>(5.7%)</i>
Federal Funds	\$621,620,439	\$619,350,552	\$593,925,422	(\$25,425,130)	(4.1%)
Other	\$582,561,870	\$562,608,616	\$569,650,318	\$7,041,702	1.3%
All Funds	\$3,293,170,941	\$3,431,818,845	\$3,284,195,324	(\$147,623,521)	(4.3%)

RECOMMENDED FUNDING
BY METHOD OF FINANCING



FTEs	FY 2011 Appropriations	FY 2011 Budgeted	FY 2013 Recommended	Biennial Change	% Change
	0.0	0.0	0.0	0.0	0.0%

The bill pattern for this agency (2012-13 Recommended) represents an estimated 9.3% of the agency's estimated total available funds for the 2012-13 biennium.

Employees Retirement System

2012-2013 BIENNIUM

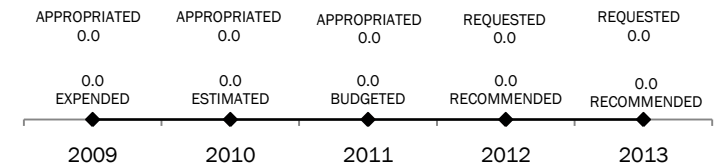
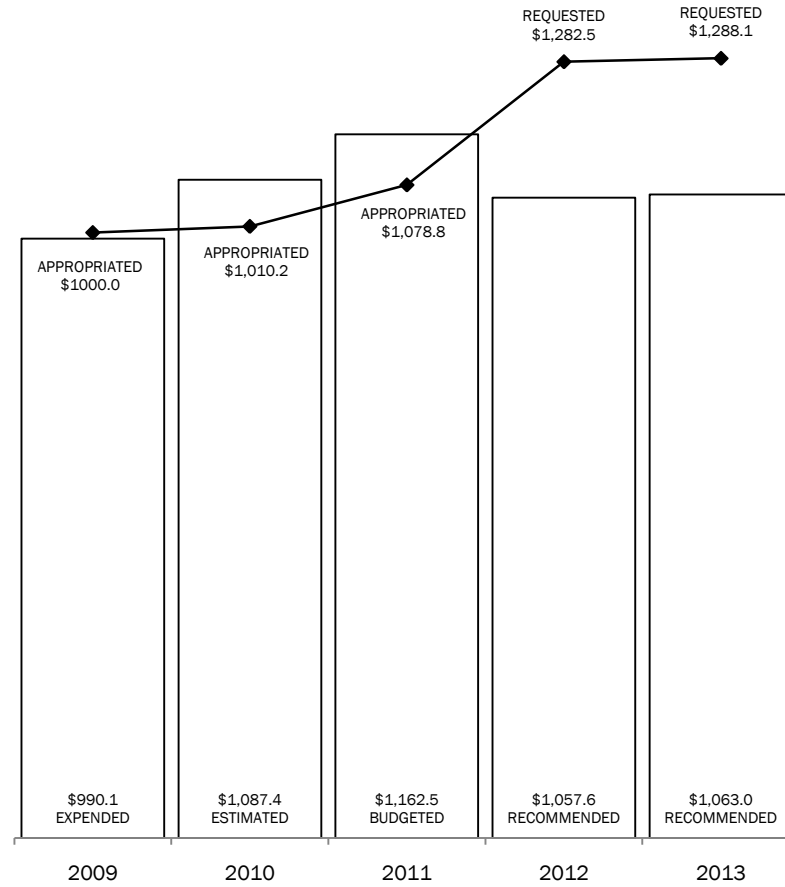
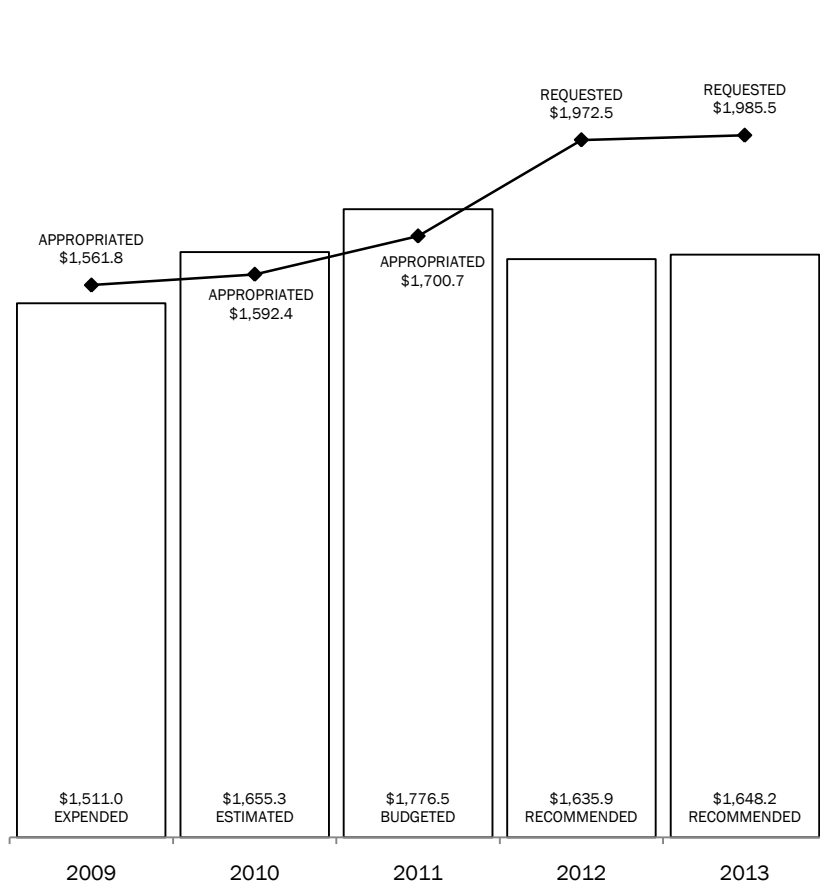
IN MILLIONS

TOTAL= \$3,284.1 MILLION

ALL FUNDS

**GENERAL REVENUE AND
GENERAL REVENUE-DEDICATED FUNDS**

FULL-TIME-EQUIVALENT POSITIONS



Employee Retirement System
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS

Strategy/Goal	2010-11 Base	2012-13 Recommended	Biennial Change	% Change	Comments
					<p>The bill includes for the Employees Retirement System:</p> <ol style="list-style-type: none"> 1. Reduce the state contribution to the ERS Retirement Fund to 6.0 percent from the current rate of 6.95 percent. 2. Reduce the state contribution to the Judicial Retirement System - Plan II to 6.0 percent from the current rate of 16.83 percent. 3. Suspend the state contribution to the Law Enforcement and Custodial Officers Supplemental (LECOS) Retirement Fund during the 2012-13 biennium (currently set at 1.59 percent). 4. Transfer the administrative and investment responsibilities of the Texas Emergency Services Retirement System (TESRS) to ERS from the Fire Fighters' Pension Commissioner, contingent upon enactment of legislation. 5. Eliminate state funding for the State Kids Insurance Program (SKIP). 6. Appropriate sum-certain amounts of General Revenue-related funds for the Group Benefits Program (GBP). The recommendations will provide ERS cash flow management authority and spend forward authority subject to LBB and Governor approval. 7. Instruct the ERS Board of Trustees to implement a tiered coinsurance structure within the Group Benefits Program.
RETIREMENT CONTRIBUTIONS A.1.1	\$806,548,296	\$699,766,716	(\$106,781,580)	(13.2%)	Amounts for 2012-13 in the tables do not reflect Article IX, Section 17.02, Reduction for Employee Benefits, which reduces Retirement Contributions by \$4.1 million (\$2.7 million in General Revenue-related funds) to reflect zero annual payroll growth for general state and higher education employees. Amounts also reflect projected significant changes in the number and/or funding of FTEs at certain state agencies.

Employee Retirement System
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS

Strategy/Goal	2010-11 Base	2012-13 Recommended	Biennial Change	% Change	Comments
LECOS A.1.2	\$47,696,781	\$0	(\$47,696,781)	(100.0%)	Includes an All Funds decrease of \$47.7 million (\$43.1 million in General Revenue-related funds) below 2010-11 levels due to the suspension of the state contribution to the LECOS retirement system during the 2012-13 biennium.
JRS-II A.1.3	\$22,732,115	\$8,104,141	(\$14,627,974)	(64.3%)	Includes an All Funds decrease of \$14.6 million (\$11.0 million in General Revenue-related funds) below 2010-11 levels for the state's contribution of 6.0 percent of payroll to the Judicial Retirement System - Plan 2.
JRS-I A.1.4	\$54,490,220	\$54,490,220	\$0	0.0%	Reflects no growth assumption over 2010-11 spending levels to pay for benefits of retirees in the JRS-1, which is operated on a pay-as-you-go plan. JRS-1 participants are those retired judges who joined the bench prior to 1985.
PUBLIC SAFETY BENEFITS A.1.5	\$12,096,414	\$12,096,414	\$0	0.0%	Reflects no growth assumption over 2010-11 spending levels for benefit payments to the survivors of public law enforcement or fire fighting personnel who are killed in the line of duty.
RETIREE DEATH BENEFITS A.1.6	\$16,176,080	\$16,176,080	\$0	0.0%	Reflects no growth assumption over 2010-11 spending levels for lump sum death benefit payments to the survivor or estate of a person retired under any of the ERS-administered retirement programs.
Total, Goal A, EMPLOYEES RETIREMENT SYSTEM	\$959,739,906	\$790,633,571	(\$169,106,335)	(17.6%)	

Employee Retirement System
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS

Strategy/Goal	2010-11 Base	2012-13 Recommended	Biennial Change	% Change	Comments
GROUP INSURANCE B.1.1	\$2,455,318,351	\$2,493,561,753	\$38,243,402	1.6%	Amounts for 2012-13 provide for an All Funds increase of \$38.2 million over 2010-11 levels, but a decrease of \$1.5 million in General Revenue-related funds. Amounts for 2012-13 provide for a state contribution rate decrease of 3.25 percent in 2012 and no change in the state contribution rate in 2013. The contribution rate for 2012 is based on: actual and projected expenditures for 2010 and 2011; the General Revenue-related portion of the insurance contingency fund spent during 2010 and 2011; the five percent reduction; and, finally, the reductions associated with implementation of a tiered coinsurance structure. Amounts also provide for 5 percent annual growth in retirees, resulting in approximately 1.5 percent growth in overall total population per fiscal year, as well as projected changes in the number and/or funding of FTEs at certain state agencies.
SKIP B.1.2	\$16,760,588	\$0	(\$16,760,588)	(100.0%)	Reflects elimination of funding of the State Kids Insurance Program due to the participants' eligibility to enroll in the Children's Health Insurance Program (CHIP) as a result of federal healthcare legislation.
Total, Goal B, EMPLOYEES RETIREMENT SYSTEM	\$2,472,078,939	\$2,493,561,753	\$21,482,814	0.9%	
Grand Total, All Strategies	\$3,431,818,845	\$3,284,195,324	(\$147,623,521)	(4.3%)	

Employee Retirement System
Summary of Recommendations - Senate, By Method of Finance -- 6 - State Highway Fund

Strategy/Goal	2010-11 Base	2012-13 Recommended	Biennial Change	% Change	Comments
RETIREMENT CONTRIBUTIONS A.1.1	\$124,166,487	\$111,745,637	(\$12,420,850)	(10.0%)	Reflects a decrease of \$12.4 million in Fund 6 below 2010-11 levels for the state's contribution of 6.0 percent of payroll to the retirement system for general state employees.
LECOS A.1.2	\$4,416,722	\$0	(\$4,416,722)	(100.0%)	Reflects a decrease of \$4.4 million in Fund 6 below 2010-11 levels due to the suspension of the state contribution to the LECOS retirement system during the 2012-13 biennium.
JRS-II A.1.3	\$0	\$0	\$0	0.0%	
JRS-I A.1.4	\$0	\$0	\$0	0.0%	
PUBLIC SAFETY BENEFITS A.1.5	\$0	\$0	\$0	0.0%	
RETIREE DEATH BENEFITS A.1.6	\$0	\$0	\$0	0.0%	
Total, Goal A, EMPLOYEES RETIREMENT SYSTEM	\$128,583,209	\$111,745,637	(\$16,837,572)	(13.1%)	
GROUP INSURANCE B.1.1	\$409,748,500	\$432,825,737	\$23,077,237	5.6%	Amounts for 2012-13 provide for an increase of \$23.1 million over 2010-11 levels. Amounts for 2012-13 provide for a state contribution rate decrease of 3.25 percent in 2012 and no change in the state contribution rate in 2013. The contribution rate for 2012 is based on: actual and projected expenditures for 2010 and 2011; the General Revenue-related portion of the insurance contingency fund spent during 2010 and 2011; the five percent reduction; and, finally, the reductions associated with implementation of a tiered coinsurance structure. Amounts also provide for 5 percent annual growth in retirees, resulting in approximately 1.5 percent growth in overall total population per fiscal year, as well as projected changes in the number and/or funding of FTEs at certain state agencies.
SKIP B.1.2	\$1,730,591	\$0	(\$1,730,591)	(100.0%)	
Total, Goal B, EMPLOYEES RETIREMENT SYSTEM	\$411,479,091	\$432,825,737	\$21,346,646	5.2%	
Grand Total, All Strategies	\$540,062,300	\$544,571,374	\$4,509,074	0.8%	

Employees Retirement System Selected Fiscal and Policy Issues

Fiscal Implications of LBB Recommendations

ERS State Employee Retirement Program. The bill lowers the state's contribution rate to the ERS Retirement fund to 6.0 percent from the current contribution rate of 6.95 percent. It is expected that this change to the state contribution rate, which would also lower the member contribution to 6.0 percent from the current rate of 6.5 percent, would have an adverse actuarial impact on the retirement system, but no immediate impact on the cash benefits being paid to annuitants.

Assumptions. The bill's assumptions include no annual growth in general state employee salaries, and projected FTE changes at certain state agencies. These include FTE reductions at the Comptroller of Public Accounts, the Health and Human Services Commission, the Department of Criminal Justice, the Department of Public Safety, the Texas Youth Commission, the Commission on Environmental Quality, and Parks and Wildlife Department. These are partially offset by the addition of FTEs at the Department of Aging and Disability Services, the Department of Family and Protective Services, the Department of State Health Services, the Department of Motor Vehicles, the Department of Housing and Community Affairs, and the Texas Workforce Commission. Please note that funding levels for retirement may be adjusted based on the salary and FTE impact of the overall funding decisions made by the Legislature.

Retirement Contribution Rates. The following summarizes the rates for recommended and requested amounts as well as constitutional and statutory requirements, as of the August 31, 2009 valuation of the Employees Retirement System. The agency's base request assumes a state contribution rate of 6.95 percent. The state contribution rate increased from 6.45 percent to 6.95 percent on January 1, 2010, pursuant to Article IX, Section 17.13(b)(4) of the 2010-11 General Appropriations Act (\$34.7 million in General Revenue), relating to one-time payments to eligible annuitants of the Employees Retirement System.

Recommended and Requested Contribution Rates for ERS Retirement

- 6.0 percent – Recommended state contribution rate
- 10.0 percent – Agency requested maximum state contribution rate. To reach the actuarially sound combined contribution level of 17.07 percent, the Governor would first have to determine that an emergency exists to exceed the constitutional maximum state contribution rate, then the state would have to increase the contribution rate another 0.57 percent to 10.57 percent, and the member contribution would have to increase another 0.5 percent to 6.5 percent, the current statutory maximum.

Constitutional/Statutory Contribution Rates for ERS Retirement

- 6.0 percent – Constitutional minimum state contribution rate
- 7.4 percent – Statutorily required state contribution rate, Government Code Section 815.403
- 10.0 percent – Constitutional maximum state contribution rate

Actuarial Status. According to the August 31, 2010 actuarial valuation of the ERS Retirement Fund, its actuarial value of assets is approximately \$23.6 billion, an increase of \$0.1 billion from the valuation completed one year earlier. The plan's funded ratio is 83.2 percent, which is lower than the plan's 87.4 percent funded ratio one year earlier. The February 28, 2011 update of the ERS Retirement fund valuation is expected to be available in mid-March, 2011.

Law Enforcement and Custodial Officer Supplemental (LECOS) Retirement Program. The bill suspends the state's contribution to the LECOS Retirement fund, which would also suspend the member's contribution of 0.5 percent, during the 2012-13 biennium. It is expected that this recommendation would have an adverse actuarial impact on the LECOS retirement fund, but no immediate impact on the cash benefits being paid to annuitants.

LECOS Contribution Rates. The following summarizes the rates for state contributions, as well as requested contribution percentages as of the August 31, 2009 actuarial valuation of the LECOS retirement fund.

Recommended and Requested Contribution Rates for LECOS

- 0.0 percent – Recommended state contribution rate
- 1.59 percent – State contribution rate during the 2010-11 biennium
- 2.22 percent – Requested actuarially sound state contribution rate

Actuarial Status. According to the August 31, 2010 actuarial valuation of the LECOS Retirement Fund, its actuarial value of assets is approximately \$802.9 million, an increase of \$22.1 million from the valuation completed one year earlier. The plan's funded ratio is 83.1 percent, which is lower than the plan's 86.1 percent funded ratio one year earlier. The February 28, 2011 update of the LECOS Retirement fund valuation is expected to be available in mid-March, 2011.

Judicial Retirement System – Plan Two (JRS-2). The bill lowers the state's contribution rate to the JRS-2 fund to 6.0 percent from the current contribution rate of 16.83 percent. It is expected that this change to the state contribution rate, which would have no impact on the member contribution of 6.0 percent, would have an adverse actuarial impact on the retirement system, but no immediate impact on the cash benefits being paid to annuitants.

JRS-2 Contribution Rates. The following summarizes the rates for recommended contributions, as well as requested contribution percentages as of the August 31, 2009 actuarial valuation of the JRS-2 fund.

- 6.0 percent – Recommended state contribution rate

- 16.83 percent – Requested state contribution rate, which is the current rate
- 15.7 percent – Actuarially sound state contribution rate

Actuarial Status. According to the August 31, 2010 actuarial valuation of the JRS-II Fund, its actuarial value of assets is approximately \$264.5 million, an increase of \$16.2 million from the valuation completed one year earlier. The plan's funded ratio is 93.9 percent, which is lower than the plan's 97.1 percent funded ratio one year earlier. The February 28, 2011 update of the JRS-II Retirement fund valuation is expected to be available in mid-March, 2011.

Texas Emergency Services Retirement System (TESRS). The bill transfers TESRS from the Fire Fighters' Pension Commissioner to ERS. Administrative costs for TESRS would be paid for by the TESRS fund's interest earnings, similar to how ERS administers its other trust funds. The current TESRS Board would serve in an advisory capacity for investments and administration, but would be responsible for determining asset allocation and implementing any benefit design changes. It is anticipated that paying administrative costs out of the TESRS fund will have an adverse actuarial impact on the TESRS fund. During the 2010-11 biennium, the state will spend approximately \$1.1 million for administration of the TESRS fund. In addition, Government Code, Section 865.016 states, "The state shall contribute the amount necessary to make the pension system actuarially sound each year, except that the state's contribution may not exceed one-third of the total of all contributions by governing bodies in a particular year." In order to avoid affecting the soundness of the current ERS trust funds, the TESRS fund would have to be reasonably sequestered at ERS.

Group Benefits Program (GBP). The following summarizes the GBP for the 2012-13 biennium. The bill does not include the *Texas State Government Effectiveness and Efficiency* recommendations to decrease the state contribution for active employees, retirees, and their dependents.

- Assumptions. The bill includes a 3.25 percent state contribution decrease in 2012; no change in the state contribution in 2013; and spending down the remaining \$64.6 million ERS-projected insurance fund balance as of August 31, 2011. In addition, the bill reflects 1.5 percent annual growth in overall member population due to a 5 percent annual growth in retirees, and projected changes in the number and/or funding of FTEs at selected state agencies. Finally, the bill includes the implementation of a tiered coinsurance plan for medical expenditures to reduce GBP costs and increase participants' cost sharing of health plan costs.
- Sum Certain Appropriations. The bill appropriates a sum certain amount of General Revenue-related funds to ERS for the GBP, and allow ERS cash flow management authority under procedures established by the Comptroller. The bill also allows ERS spend forward authority with approval from the Legislative Budget Board and the Governor. Through this provision, the Legislature would have more input and oversight of health insurance costs being incurred by the GBP during the interim, however this level of funding could result in the ERS Board of Trustees implementing significant benefit plan design changes, or submitting a 2013 supplemental appropriations request.
- State Contribution Rates. The bill provides for a state contribution rate decrease of 3.25 percent in 2012 and no change

in the state contribution rate in 2013. The contribution rate for 2012 is based on: actual and projected expenditures for 2010 and 2011; the General Revenue-related portion of the insurance contingency fund spent during 2010 and 2011; the five percent reduction; and, finally, the reductions associated with implementation of a tiered coinsurance structure.

- **State Kids Insurance Program (SKIP).** The bill eliminates funding for SKIP. This stems from the recently passed federal healthcare legislation, which makes participants in SKIP eligible to enter the Children's Health Insurance Program (CHIP), administered by the Health and Human Services Commission, on September 1, 2011, when the SKIP program is eliminated. The elimination of the SKIP subsidies and the related state-paid premiums for these dependents is expected to generate approximately \$15.9 million in total net savings to the state during the 2012-13 biennium due to the fact that CHIP is funded predominantly by federal funds.
- **Tiered Coinsurance.** The bill adds a legislative intent rider that instructs the ERS Board of Trustees to implement a tiered coinsurance structure within the Group Benefits Program. This would shift a percentage of costs to the members and would provide estimated savings in the amount of \$35.6 million in All Funds over the 2012-13 biennium.

Federal Healthcare Legislation

On March 23, 2010, the Patient Protection and Affordable Care Act was signed into law. Study of this legislation indicates that the Group Benefits Program (GBP) will be affected in the 2012-13 biennium by different provisions of the legislation. These effects are summarized below:

- **Reinsurance program** (Effective June 21, 2010, 90 days following enactment, through December 31, 2013) - A temporary reinsurance program for employers providing health insurance coverage to retirees age 55 or older who are not eligible for Medicare. Program reimburses employers or insurers for 80% of retiree claims between \$15,000 and \$90,000. Payments from the reinsurance program are to be used to lower the costs for enrollees in the employer plan. Five billion dollars was appropriated to finance the program nationwide. ERS estimates that it may receive \$60 million during the 2010-11 biennium through this provision, and none during the 2012-13 biennium.
- **Coverage of preventative services** (Effective starting September 1, 2011) - Eliminating cost-sharing (co-pays, deductible, and coinsurance) for preventative services. ERS estimates that this will result in costs of \$29.8 million in All Funds during the 2012-13 biennium because the GBP currently utilizes coinsurance and a co-pay structure for these services.
- **Dependent coverage** (Effective starting September 1, 2011) – Provide dependent coverage for dependents up to age 26. ERS estimates that this provision will result in costs of \$16.1 million in All Funds during the 2012-13 biennium because currently the GBP provides coverage for dependents up to age 25.
- **Lifetime maximum** (Effective starting September 1, 2011) – Prohibits lifetime benefit limits. ERS estimates this provision will result in costs of \$0.5 million in All Funds during 2012-13 biennium.
- **Fee for patient-centered outcomes research** (Effective starting September 1, 2012) - The \$1 fee per covered life is paid by all health insurance plans to the federal government, which will provide funding for research in the provision of healthcare to improve outcomes for patients. ERS estimates this provision will result in costs of approximately \$0.3 million in All Funds in fiscal year 2013. In fiscal year 2014, the fee doubles to \$2 per covered life.

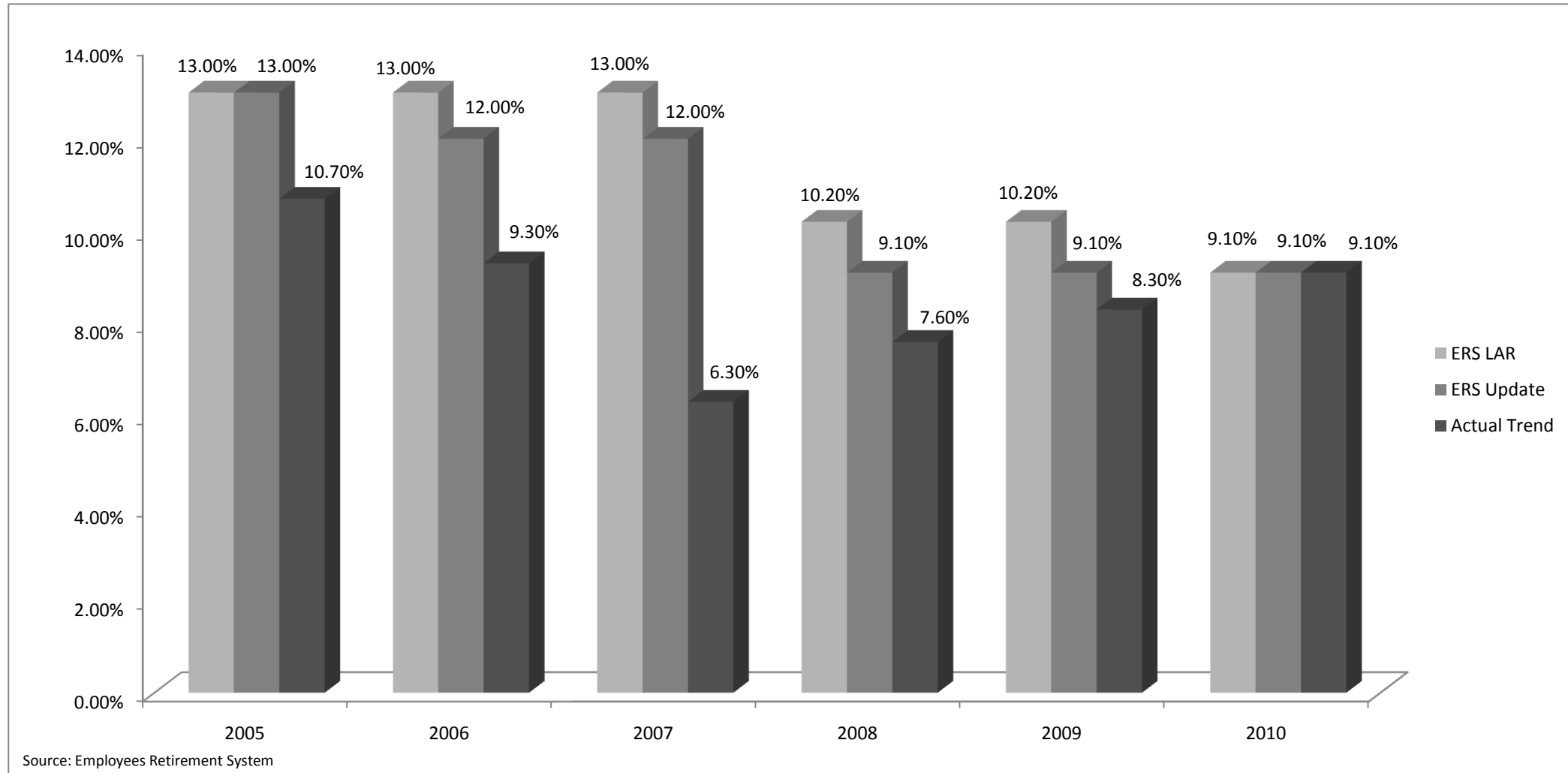
Statutory Changes Required to Implement the Bill

- Transfer of TESRS Administration to ERS – Government Code, Subtitle H, Chapters 861 – 865.
- Implementation of a monthly premium surcharge for tobacco users – Insurance Code, Chapter 1551.

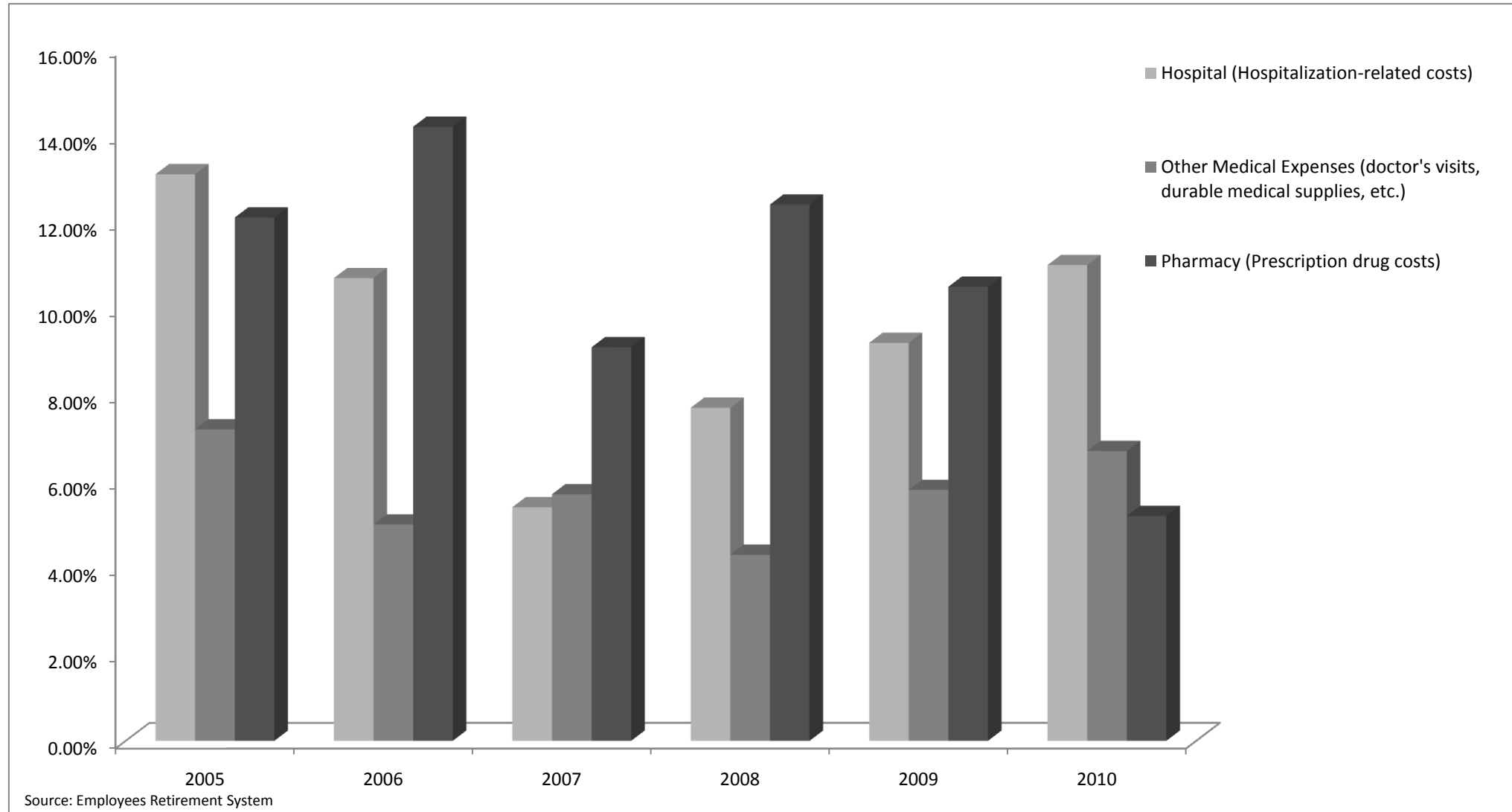
Analysis of Benefit Cost Trends and Insurance Reserve Fund

Figures 1-3 on the following pages show the history of the GBP's benefit cost trend, including the different components of the overall cost trend, as well as the history of the state contribution increases to ERS for health insurance. Figure 4 shows the history of the GBP contingency fund balance.

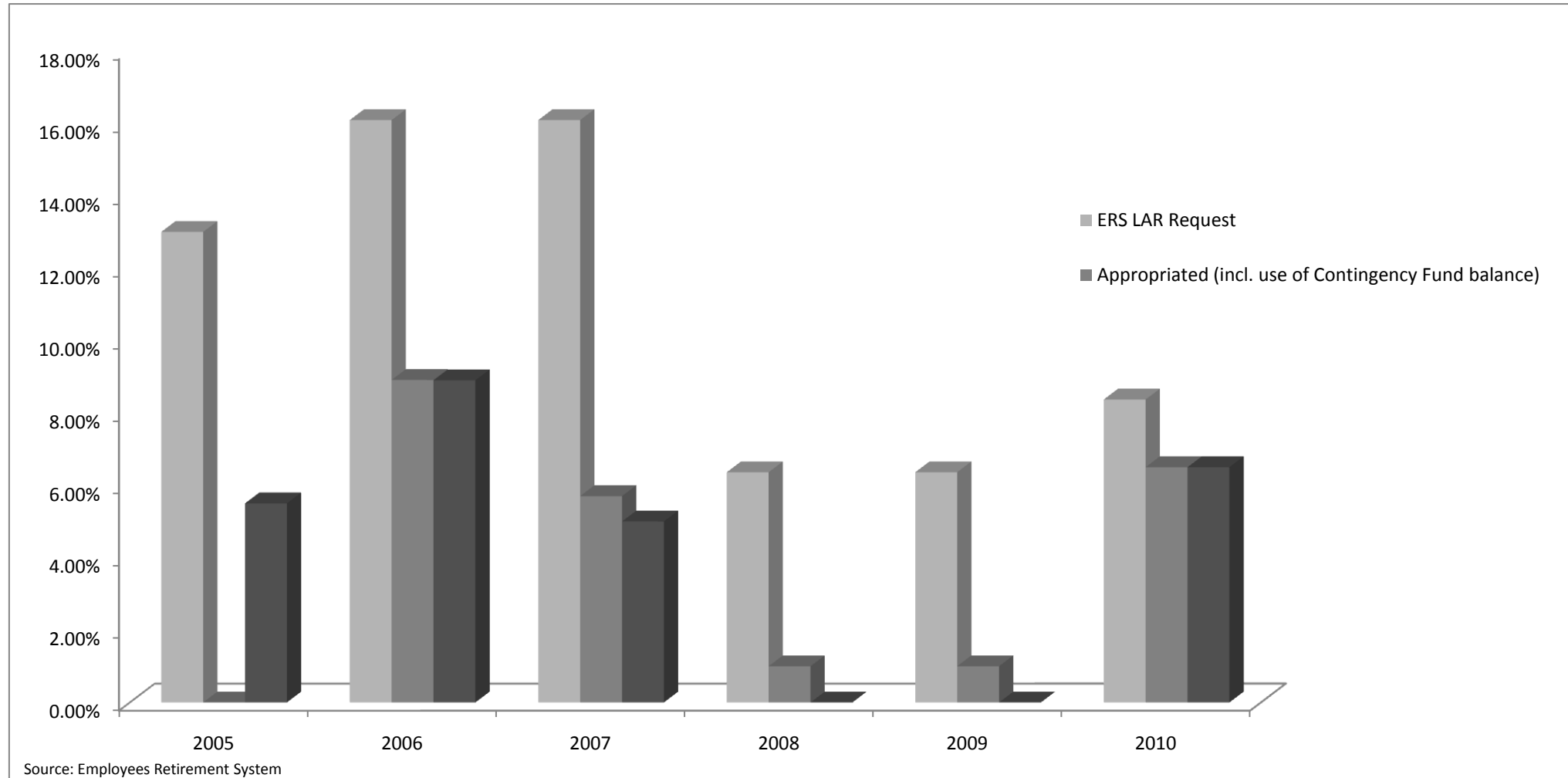
HealthSelect Benefit Cost Trend (Percent Increase Over Prior Year)



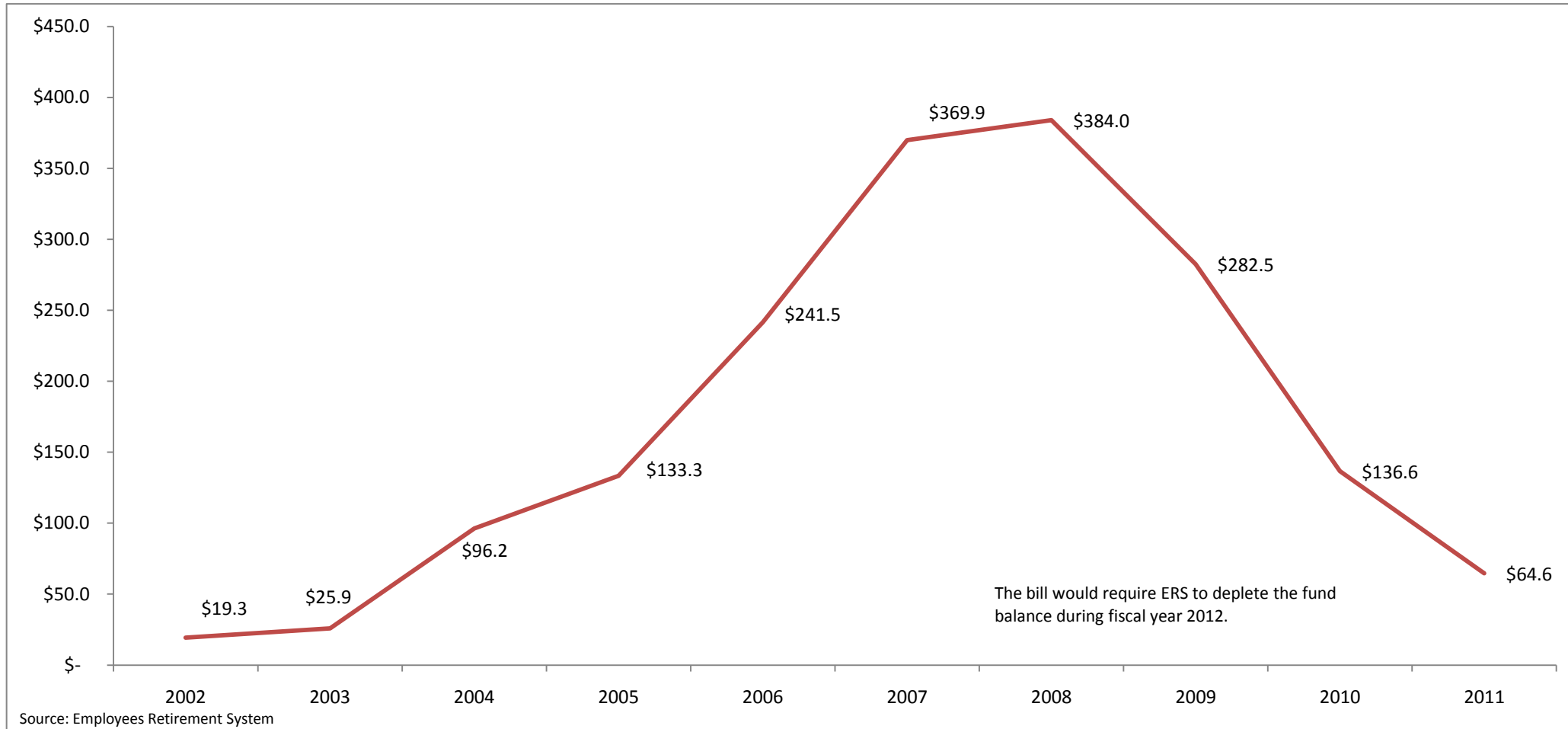
Components of HealthSelect Cost Trend (Percent Increase Over Prior Year)



State Contribution Rate Increases for HealthSelect



Contingency Reserve Fund Balance



**Employees Retirement System
FTE Highlights**

Full-Time-Equivalent Positions	Expended 2009	Actual 2010	Budgeted 2011	Recommended 2012	Recommended 2013
Cap	299.0	312.0	323.0	332.0	332.0
Actual/Budgeted	305.8	324.8	323.0	NA	NA
Schedule of Exempt Positions (Cap)					
Executive Director	\$275,000	\$300,000	\$300,000	\$300,000	\$300,000

The FTE levels in the chart above are for informational purposes. ERS is not subject to the Article IX, Section 6.10, Limitation on State Employment Levels, due to the fact that the agency's employees are paid for by funds outside the Treasury, and not by appropriations made in the General Appropriations Act.

State Auditor's Office Report No. 10-706, *A Classification Study of Exempt Positions*, states that the Executive Director's current salary exceeds the market average of \$250,683. Pursuant to Government Code, Section 815.208, the Employees Retirement System Board of Trustees has authority to approve the Executive Director's salary.

Section 4

**Employees Retirement System (ERS)
Performance Review and Policy Report Highlights**

Reports & Recommendations	GEER Report Page	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Is included in the Introduced Bill	Action Required During Session
Maintin the Pension Solvency of the Employees Retirement System and the Teacher Retirement System	97					
<p>1. Take steps towards maintaining pension solvency via three options: Option 1: Fully fund ERS and TRS at actuarial sound rates. Option 2: Maintain existing defined benefit plan structure but revise some of the plan design features to contain costs from annual contributions. Option 3: Create a hybrid retirement plan, as a cash balance plan or two-part hybrid plan that includes a defined benefit component and a defined contribution component.</p> <p>2. Include a rider requiring ERS and TRS to assess the impact of possible changes to the plan design of the state retirement systems.</p>		Depends on option selected			Article IX, Rider Sec 18.03	Depends on option selected
Implement a Tobacco Surcharge on Employees Retirement System Health Premiums	121					
1. Amend statute to require ERS to include prescription drug coverage for tobacco cessation and apply a tobacco user premium surcharge within the state health plan. Include a contingency rider setting the monthly surcharge at \$30 per tobacco user. The savings is net of the costs for prescription drug coverage.		\$24,515,106 \$38,912,867		GR/GR-D All Funds	Contingency Rider 14	Amend Statute
Require State Retirees to Pay a Greater Share of the Their Health Insurance to Preserve Benefits	137					
<p>1. Amend ERS Rider 6 to require retirees to pay a portion of their health insurance premium based on age and years of service.</p> <p>2. Amend ERS Rider 6 to reduce the state contribution for retirees' dependents by 10 percent each year of the biennium.</p>		\$40,109,299 \$63,665,554 \$20,034,606 \$31,800,963		GR/GR-D All Funds GR/GR-D All Funds		Amend Rider Amend Rider

Section 4

**Employees Retirement System (ERS)
Performance Review and Policy Report Highlights**

Reports & Recommendations	GEER Report Page	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Is included in the Introduced Bill	Action Required During Session
Reduce the State Contribution for Employee Health Insurance to Preserve Benefits	117					
1. Amend ERS Rider 6 to decrease the state contribution for group insurance for active employees and their dependents by up to 10 percent.		\$187,834,286 \$298,149,660		GR/GR-D All Funds		Amend Rider
Implement a Tiered Coinsurance Plan for State Employees	127					
1-Include a rider directing the ERS board to implement a tiered coinsurance plan for medical expenditures		\$23,358,342 \$35,634,266		GR/GR-D All Funds	Rider 13	
2--Include a rider directing the ERS board to implement a tiered coinsurance plan for pharmaceutical expenditures		\$5,270,816 \$8,040,882		GR/GR-D All Funds		Adopt Rider
3--Include a rider directing the ERS board to increase coinsurance for participants covered by Medicare (Coordination of Benefits)		\$31,093,112 \$47,434,027		GR/GR-D All Funds		Adopt Rider

**Employees Retirement System
Rider Highlights**

- 1. (revise) Informational Listing of Appropriated Funds.** Revise rider to reflect new appropriation amounts and to eliminate estimated appropriation authority for group insurance, the Law Enforcement and Custodial Officer Supplemental (LECOS) retirement fund, and the State Kids Insurance Program (SKIP).
- 4.(revise) State Contribution to Employees Retirement System.** Revise rider to reflect a decrease in the state contribution rate to 6.0 percent from 6.95 percent for the ERS Retirement fund during the 2012-13 biennium.
- 5.(revise) State Contribution to Judicial Retirement Program (JRS-2).** Revise rider to reflect a decrease in the state contribution rate to 6.0 percent from 16.83 percent for the Judicial Retirement System – Plan 2 during the 2012-13 biennium.
- 6.(revise) State Contribution to Group Insurance for General State Employees.** Revise rider to reflect elimination of funding for the State Kids Insurance Program (SKIP) and identify the funding for the incentive to waive participation in the Group Benefits Program (GBP), the Opt-Out incentive. In addition, revise rider to identify sum certain appropriations of General Revenue-related funds for the GBP, as well as give ERS spend forward authority with LBB and Governor approval.
- 9. (old) Appropriation for State Kids Insurance Program (SKIP).** Delete rider due to the elimination of the funding for the State Kids Insurance Program (SKIP).
- 11. (old) State Contribution to the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOS).** Delete rider to reflect elimination of the state contribution to the Law Enforcement and Custodial Officer Supplemental (LECOS) retirement fund during the 2012-13 biennium.
- 11. (new) Cash Flow Contingency.** Add rider to give ERS authority to utilize available General Revenue funds for the purpose of temporary cash flow under procedures established by the Comptroller.
- 12. (old) Online Health Risk Assessment.** Delete rider due to the satisfaction of the requirement in the rider during the 2010-11 biennium.
- 12. (new) Contingency Requiring Statutory Change: Texas Emergency Services Retirement System (TESRS) Fund Administration.** Add rider to transfer the TESRS fund to ERS from the Fire Fighters' Pension Commissioner (FFPC) contingent on the enactment of legislation by the Eighty-second Legislature. The rider also appropriates funds for FFPC in the event the contingency does not occur.

- 13. (new) **Tiered Coinsurance.** Add rider to reflect legislative intent that the ERS Board of Trustees implement a tiered coinsurance structure within the HealthSelect insurance program.
- 14. (old) **Emerging Investment Fund Managers.** Delete rider due to codification of the rider requirement in statute and satisfaction of the reporting requirement during the 2010-11 biennium.
- 14. (new) **Tobacco User Monthly Premium Surcharge.** Add rider that applies a \$30 monthly surcharge to any tobacco user covered under the Employees Retirement System group insurance plan, contingent on the enactment of legislation by the Eighty-second Legislature.

Employee Retirement System
Items not Included in Recommendations - Senate

2012-13 Biennial Total	
GR & GR- Dedicated	All Funds

Agency Requested Items

- | | | | | | | | | | | | | |
|---|---------------------|---------------|-----------|----------------|---------------------|---------------|-----------|---------------|----|-------------|----|-------------|
| <p>1. Provide the constitutional maximum level of funding, 10 percent, to the ERS retirement fund. This level of funding, with a maximum employee contribution of 6.5 percent, is not enough to reach the actuarially sound contribution level of 17.07 percent. The additional needed increase of 0.57 percent equals approximately \$67,016,962 in All Funds (\$43,158,924 in GR and GR-Dedicated).</p> <p style="margin-left: 20px;">a. Provide the current level of retirement contributions. (Total contribution rate of 13.45 percent based on 6.95 percent for the state and 6.5 percent for employees.)</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 30%;">GR and GR-Dedicated</td> <td style="text-align: right;">\$ 70,998,838</td> </tr> <tr> <td>All Funds</td> <td style="text-align: right;">\$ 110,144,220</td> </tr> </table> <p style="margin-left: 20px;">b. Provide the level of contribution necessary to meet the normal cost of 12.30 percent. The additional needed increase required would be 0.15 percent for both the state and employees.</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 30%;">GR and GR-Dedicated</td> <td style="text-align: right;">\$ 11,210,343</td> </tr> <tr> <td>All Funds</td> <td style="text-align: right;">\$ 17,391,193</td> </tr> </table> | GR and GR-Dedicated | \$ 70,998,838 | All Funds | \$ 110,144,220 | GR and GR-Dedicated | \$ 11,210,343 | All Funds | \$ 17,391,193 | \$ | 293,402,780 | \$ | 464,612,479 |
| GR and GR-Dedicated | \$ 70,998,838 | | | | | | | | | | | |
| All Funds | \$ 110,144,220 | | | | | | | | | | | |
| GR and GR-Dedicated | \$ 11,210,343 | | | | | | | | | | | |
| All Funds | \$ 17,391,193 | | | | | | | | | | | |
| <p>2. Provide an actuarially sound level of funding to the Law Enforcement and Custodial Officer Supplemental (LECOS) retirement fund, which is an increase of 2.22 percent from the recommended funding level.</p> <p style="margin-left: 20px;">a. Provide the current level of retirement contributions. (Total contribution rate of 2.09 percent based on 1.59 percent for the state and 0.5 percent for employees.)</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 30%;">GR and GR-Dedicated</td> <td style="text-align: right;">\$ 43,094,041</td> </tr> <tr> <td>All Funds</td> <td style="text-align: right;">\$ 47,696,781</td> </tr> </table> <p style="margin-left: 20px;">b. Provide the level of contribution necessary to meet the normal cost of 2.07 percent, based on a member contribution of 0.5 percent and 1.57 percent for the state.</p> | GR and GR-Dedicated | \$ 43,094,041 | All Funds | \$ 47,696,781 | \$ | 60,404,122 | \$ | 66,356,280 | | | | |
| GR and GR-Dedicated | \$ 43,094,041 | | | | | | | | | | | |
| All Funds | \$ 47,696,781 | | | | | | | | | | | |

Employee Retirement System
Items not Included in Recommendations - Senate

		2012-13 Biennial Total	
		GR & GR- Dedicated	All Funds
GR and GR-Dedicated	\$ 42,551,977		
All Funds	\$ 47,096,821		
3. Provide an actuarially sound level of funding to the Judicial Retirement System - Plan II (JRS-II), which is an increase of 9.7 percent from the recommended funding level. (Total contribution rate of 21.68 percent, based on an average member contribution of 5.98 percent and a state contribution of 15.7 percent.)		\$ 7,861,016	\$ 13,101,695
a. Provide the current level of retirement contributions. (Total contribution rate of 22.81 percent based on 16.83 percent for the state and an average member contribution of 5.98 percent.)			
GR and GR-Dedicated	\$ 8,776,784		
All Funds	\$ 14,627,975		
b. Provide the level of contribution necessary to meet the normal cost of 20.19 percent, based on an average member contribution of 5.98 percent and 14.21 percent for the state.			
GR and GR-Dedicated	\$ 6,653,498		
All Funds	\$ 11,089,165		
4. Funding increase for the Group Benefits Program for health care cost increases due to medical inflation (\$284.8 million General Revenue-related) and federal healthcare legislation (\$28.7 million General Revenue-related), as well as to partially offset the five percent reduction incorporated into the 2012-13 spending limit (\$51.4 million General Revenue-related). (ERS does not assume an estimated \$40 million in reimbursements from the federal healthcare legislation's reinsurance program for fiscal year 2011 claims.)		\$ 364,933,974	\$ 590,975,399
5. Funding to provide for 60 days of claims in the Group Benefit Program Reserve Fund, per Insurance Code, Section 1551.211.		\$ 192,150,454	\$ 311,169,134

**Employee Retirement System
Items not Included in Recommendations - Senate**

Total, Items Not Included in the Recommendations

2012-13 Biennial Total	
GR & GR- Dedicated	All Funds
\$ 918,752,346	\$ 1,446,214,987

**82nd Regular Session, LBB Recommended (Senate), Version 1
Retirement**

	Exp 2009	Est 2010	Bud 2011	Total Biennium 2010-2011	Rec 2012	Rec 2013	Total Rec 2012-2013	Difference
ARTICLE I - GENERAL GOVERNMENT	\$27,961,778	\$30,875,413	\$31,794,225	\$62,669,638	\$27,132,864	\$27,234,985	\$54,367,849	\$(8,301,789)
ARTICLE II - HEALTH AND HUMAN SERVICES	\$114,286,349	\$126,195,061	\$133,065,593	\$259,260,654	\$113,014,514	\$112,543,098	\$225,557,612	\$(33,703,042)
ARTICLE III - AGENCIES OF EDUCATION	\$7,508,281	\$8,290,649	\$8,672,344	\$16,962,993	\$6,957,736	\$6,992,525	\$13,950,261	\$(3,012,732)
ARTICLE IV - THE JUDICIARY	\$43,134,865	\$42,650,697	\$42,629,948	\$85,280,645	\$34,844,132	\$34,861,868	\$69,706,000	\$(15,574,645)
ARTICLE V - PUBLIC SAFETY AND CRIMINAL JUSTICE	\$141,279,418	\$158,392,238	\$161,781,233	\$320,173,471	\$116,424,418	\$116,783,836	\$233,208,254	\$(86,965,217)
ARTICLE VI - NATURAL RESOURCES	\$25,940,464	\$28,643,477	\$30,073,135	\$58,716,612	\$24,744,363	\$24,241,684	\$48,986,047	\$(9,730,565)
ARTICLE VII - BUSINESS AND ECONOMIC DEVELOPMENT	\$47,053,280	\$51,956,263	\$53,412,656	\$105,368,919	\$49,128,206	\$48,799,072	\$97,927,278	\$(7,441,641)
ARTICLE VIII - REGULATORY	\$9,284,676	\$10,252,146	\$11,065,979	\$21,318,125	\$9,271,654	\$9,292,458	\$18,564,112	\$(2,754,013)
ARTICLE X - THE LEGISLATURE	\$6,163,154	\$6,805,359	\$7,007,410	\$13,812,769	\$6,079,839	\$6,110,239	\$12,190,078	\$(1,622,691)
Total	\$422,612,265	\$464,061,303	\$479,502,523	\$943,563,826	\$387,597,726	\$386,859,765	\$774,457,491	\$(169,106,335)
METHOD OF FINANCING:								
General Revenue Funds								
1 General Revenue Fund	\$274,056,117	\$301,686,007	\$310,015,269	\$611,701,276	\$243,936,588	\$243,594,003	\$487,530,591	\$(124,170,685)
Subtotal, General Revenue Funds	\$274,056,117	\$301,686,007	\$310,015,269	\$611,701,276	\$243,936,588	\$243,594,003	\$487,530,591	\$(124,170,685)
Gr Dedicated								
469 Crime Victims Comp Acct	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
994 GR Dedicated Accounts	\$17,022,952	\$18,366,948	\$19,957,907	\$38,324,855	\$17,678,730	\$17,330,757	\$35,009,487	\$(3,315,368)
Subtotal, Gr Dedicated	\$17,022,952	\$18,366,948	\$19,957,907	\$38,324,855	\$17,678,730	\$17,330,757	\$35,009,487	\$(3,315,368)
Federal Funds								
555 Federal Funds	\$67,428,615	\$74,466,503	\$77,980,373	\$152,446,876	\$65,359,756	\$65,017,494	\$130,377,250	\$(22,069,626)
Subtotal, Federal Funds	\$67,428,615	\$74,466,503	\$77,980,373	\$152,446,876	\$65,359,756	\$65,017,494	\$130,377,250	\$(22,069,626)
Other Funds								
6 State Highway Fund	\$57,174,183	\$63,338,357	\$65,244,852	\$128,583,209	\$55,733,484	\$56,012,153	\$111,745,637	\$(16,837,572)
573 Judicial Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
998 Other Special State Funds	\$6,930,398	\$6,203,488	\$6,304,122	\$12,507,610	\$4,889,168	\$4,905,358	\$9,794,526	\$(2,713,084)
Subtotal, Other Funds	\$64,104,581	\$69,541,845	\$71,548,974	\$141,090,819	\$60,622,652	\$60,917,511	\$121,540,163	\$(19,550,656)
Total, Method of Financing	\$422,612,265	\$464,061,303	\$479,502,523	\$943,563,826	\$387,597,726	\$386,859,765	\$774,457,491	\$(169,106,335)

**82nd Regular Session, LBB Recommended (Senate), Version 1
Group Insurance**

	Exp 2009	Est 2010	Bud 2011	Total Biennium 2010-2011	Rec 2012	Rec 2013	Total Rec 2012-2013	Difference
ARTICLE I - GENERAL GOVERNMENT	\$62,195,235	\$68,074,526	\$73,576,838	\$141,651,364	\$70,905,037	\$71,773,265	\$142,678,302	\$1,026,938
ARTICLE II - HEALTH AND HUMAN SERVICES	\$367,807,465	\$402,576,164	\$443,603,906	\$846,180,070	\$425,264,689	\$429,022,556	\$854,287,245	\$8,107,175
ARTICLE III - AGENCIES OF EDUCATION	\$19,512,817	\$21,357,357	\$23,503,306	\$44,860,663	\$22,394,986	\$22,942,379	\$45,337,365	\$476,702
ARTICLE IV - THE JUDICIARY	\$11,553,008	\$12,645,109	\$13,735,564	\$26,380,673	\$13,517,972	\$13,764,471	\$27,282,443	\$901,770
ARTICLE V - PUBLIC SAFETY AND CRIMINAL JUSTICE	\$359,642,535	\$393,639,407	\$422,814,027	\$816,453,434	\$399,880,729	\$404,227,422	\$804,108,151	\$(12,345,283)
ARTICLE VI - NATURAL RESOURCES	\$62,929,471	\$68,878,170	\$75,751,455	\$144,629,625	\$71,397,511	\$71,140,031	\$142,537,542	\$(2,092,083)
ARTICLE VII - BUSINESS AND ECONOMIC DEVELOPMENT	\$160,451,121	\$175,618,505	\$191,313,415	\$366,931,920	\$193,825,120	\$196,743,223	\$390,568,343	\$23,636,423
ARTICLE VIII - REGULATORY	\$21,613,252	\$23,656,345	\$26,518,032	\$50,174,377	\$25,277,042	\$25,585,770	\$50,862,812	\$688,435
ARTICLE X - THE LEGISLATURE	\$15,256,561	\$16,698,758	\$18,118,055	\$34,816,813	\$17,798,300	\$18,101,250	\$35,899,550	\$1,082,737
Total	\$1,080,961,465	\$1,183,144,341	\$1,288,934,598	\$2,472,078,939	\$1,240,261,386	\$1,253,300,367	\$2,493,561,753	\$21,482,814
METHOD OF FINANCING:								
General Revenue Funds								
1 General Revenue Fund	\$655,241,482	\$717,181,211	\$777,211,433	\$1,494,392,644	\$739,236,097	\$745,493,502	\$1,484,729,599	\$(9,663,045)
Subtotal, General Revenue Funds	\$655,241,482	\$717,181,211	\$777,211,433	\$1,494,392,644	\$739,236,097	\$745,493,502	\$1,484,729,599	\$(9,663,045)
Gr Dedicated								
994 GR Dedicated Accounts	\$38,434,356	\$42,067,540	\$47,197,282	\$89,264,822	\$48,652,787	\$48,521,040	\$97,173,827	\$7,909,005
Subtotal, Gr Dedicated	\$38,434,356	\$42,067,540	\$47,197,282	\$89,264,822	\$48,652,787	\$48,521,040	\$97,173,827	\$7,909,005
Federal Funds								
555 Federal Funds	\$202,972,886	\$222,159,836	\$244,743,840	\$466,903,676	\$230,572,921	\$232,975,251	\$463,548,172	\$(3,355,504)
Subtotal, Federal Funds	\$202,972,886	\$222,159,836	\$244,743,840	\$466,903,676	\$230,572,921	\$232,975,251	\$463,548,172	\$(3,355,504)
Other Funds								
6 State Highway Fund	\$179,917,256	\$196,924,766	\$214,554,325	\$411,479,091	\$214,210,435	\$218,615,302	\$432,825,737	\$21,346,646
998 Other Special State Funds	\$4,395,485	\$4,810,988	\$5,227,718	\$10,038,706	\$7,589,146	\$7,695,272	\$15,284,418	\$5,245,712
Subtotal, Other Funds	\$184,312,741	\$201,735,754	\$219,782,043	\$421,517,797	\$221,799,581	\$226,310,574	\$448,110,155	\$26,592,358
Total, Method of Financing	\$1,080,961,465	\$1,183,144,341	\$1,288,934,598	\$2,472,078,939	\$1,240,261,386	\$1,253,300,367	\$2,493,561,753	\$21,482,814