

EMPLOYEES RETIREMENT SYSTEM OF TEXAS

Issue 1

ERS Needs to Make Additional Improvements to Ensure Its Contracts Adhere to Best Practices and Provide Best Value to the State.

Management Action

- Rec. 1.1, Adopted** Direct ERS to provide its new division clear authority over all of the agency's procurement and contracting functions, including contract oversight and enforcement.
- Rec. 1.2, Adopted** Direct ERS to further centralize and consolidate its procurement and contracting staff into the new division.
- Rec. 1.3, Adopted** Direct ERS to implement contract term dates in agency contracts, except in limited circumstances.

Issue 2

ERS Does Not Strategically Manage the Group Benefits Program (GBP) to Ensure Its Effectiveness and Plan for the Future.

Change in Statute

- Rec. 2.1, Adopted** Require ERS to develop and regularly update a comprehensive annual report on the GBP.

Management Action

- Rec. 2.2, Adopted** ERS should establish an advisory committee to obtain regular stakeholder and expert input on benefits.
- Rec. 2.3, Adopted** Direct ERS to develop a process and clear criteria for evaluating changes to the GBP.

Issue 3

ERS' Benefit Decision Processes Lack Balanced Treatment and Full Information for Members.

Change in Statute

- Rec. 3.1, Adopted** Require ERS to develop and implement a process that allows members to participate directly in the insurance appeal process.

Rec. 3.2, Adopted Require ERS to establish a precedent or other type of manual for the insurance appeal process.

Management Action

Rec. 3.3, Adopted Direct ERS to more effectively educate members about choices and decisions that can lead to unexpected health insurance charges.

Rec. 3.4, Adopted Direct ERS to ensure balanced representation on the Grievance Review Committee of customer service and other staff.

Rec. 3.5, Adopted Direct ERS to develop policies and procedures to govern reviews of Chapter 615 survivor benefit applications.

Rec. 3.6, Adopted Direct ERS staff to comprehensively track and analyze benefit application decision and appeals data.

Issue 4

ERS Does Not Adequately Track or Report All Costs Associated With Alternative Investments.

Change in Statute

Rec. 4.1, Adopted Require ERS to track and report profit-sharing in its alternative investments.

Issue 5

ERS' Statute Does Not Reflect Standard Elements of Sunset Reviews.

Change in Statute

Rec. 5.1, Adopted Apply standard across-the-board requirements to ERS.

Rec. 5.2, Adopted Change the due date for the *Cost Management and Fraud Report* and continue the agency's other reports.

Adopted New Issues

Investments

Experience study timing. Change the statutory requirement for the ERS Board of Trustees to adopt its experience study, and resulting actuarial assumptions, from once every five years to once every four years.

Alternative investment approval. Statutorily require the ERS Board of Trustees to approve any individual alternative investment over \$100 million.

Investment governance audit. Direct ERS, as part of its 2017 internal audit review of investment governance, to consider best practices in investment decision-making process, including

- the composition of its internal investment committees,
- investment authority,
- veto authority, and
- board oversight and use of the Investment Advisory Committee.

ERS would provide a copy of the internal audit report to the appropriate substantive legislative oversight committees, as well as the governor, lieutenant governor, and speaker upon presentation to the Board of Trustees. (Management action — nonstatutory)