

MEETING OF THE BOARD OF TRUSTEES
EMPLOYEES RETIREMENT SYSTEM OF TEXAS

May 19, 2009
ERS Auditorium
ERS Building ~ 1801 Brazos
Austin, Texas

TRUSTEES PRESENT

Yolanda Griego, Chair
Craig Hester, Vice-Chair
Cydney Donnell, Member
Owen Whitworth, Member
Don Wood, Member

TRUSTEE ABSENT

Don Green, Member

ERS STAFF PRESENT

Ann S. Fuelberg, Executive Director
Larry Zeplin, Chief Operating Officer
Paula A. Jones, General Counsel & Chief Compliance Officer
Robert Kukla, Director of Benefit Contracts
Mel Mireles, Chief Information Officer
Shack Nail, Director of Governmental Relations
Marci Sundbeck, Internal Auditor
Catherine Terrell, Director of Communications & Research
Deborah Warren, Director of Customer Benefits
Michael Wheeler, Chief Financial Officer
Michael Bloodgood, Benefit Contracts
Tom Burson, Customer Benefits
Sharon Carr, Customer Benefits
Kelley Davenport, Executive Office
Leah Erard, Governmental Relations
James Freeman, Customer Benefits
Wendy Herndon, Benefit Contracts
Kenneth Hobbs, Benefit Contracts
Dana Jepson, Communications & Research
Jacqueline Johnson, Deputy Executive Director of Investments
Debbie Leatham, Finance
Robert Sessa, Investments
Donna Talbot, Customer Benefits
Martha J. Wall, Communications & Research
Mary Jane Wardlow, Communications & Research

Stacy White, Executive Office
Michael Wied, Legal Services

ALSO PRESENT

Sharon Barnes, Texas Commission on Environmental Quality
Susan M. Corbett, Austin Community College
Leslie Cunningham, Texas State Employees Union
Phil S. Dial, Rudd & Wisdom, Inc.
Rebecca Gonzales, Texas Parks & Wildlife Department
George Hamilton, BlueCross BlueShield of Texas
Toni Hamilton, Texas Commission on Environmental Quality
Jackie Hodgkiss, Railroad Commission of Texas
Daniel Krivinskas, R.V. Kuhns & Associates
Kathy Macias, Community First Health Plans
Joe Malinowski, BlueCross BlueShield of Texas
Brian Naiser, BlueCross BlueShield of Texas
Elizabeth Oberg, Scott & White Health Plan
Vera Parish, FirstCare Health Plans
Reseablo Rivera, Texas Commission on Environmental Quality
Jill Stearns, Medco Health Solutions
Patricia Thomas, Texas Department of Transportation
Cyrus Walker, BlueCross BlueShield of Texas
Jennifer Williams, Texas Department of Transportation

A quorum being present, Ms. Yolanda Griego, Chair of the Employees Retirement System of Texas (ERS) Board of Trustees (Board) called the meeting to order at 8:48 a.m. Ms. Ann Fuelberg, ERS Executive Director, then read the following statement:

A public notice of the Board of Trustees meeting containing all items on the proposed agenda was filed with the Office of the Secretary of State at 2:24 p.m. on Monday, May 11, 2009 as required by Chapter 551, Texas Government Code, referred to as “The Open Meetings Law.”

Following adjournment of the Investment Advisory Committee (IAC) the Board reconvened at 2:59 p.m. and took up the remaining agenda items. Refer to the *Minutes of the Joint Meeting of the Investment Advisory Committee and Board of Trustees* dated May 19, 2009 for Board actions and discussion related to agenda items number one through fourteen.

XV. REVIEW AND APPROVAL OF THE MINUTES TO THE BOARD OF TRUSTEES MEETING OF FEBRUARY 24, 2009

Chair Yolanda Griego opened the floor for a motion on the approval of the minutes to the Board of Trustees meeting held on February 24, 2009.

MOTION made by Mr. Craig Hester, seconded by Ms. Cydney Donnell and carried unanimously that the Board of Trustees of the Employees Retirement System of Texas approve the minutes to its meeting of February 24, 2009.

XVI. PRESENTATION OF INTERNAL AND EXTERNAL AUDITING REPORTS

Ms. Marci Sundbeck explained to the Board that the following reports were presented to the Audit Committee at its meeting earlier in the day: *Review of Configuration Management*, *Review of Underwriting and Data Analysis* and a report on investment compliance. In addition, the final report issued on April 23, 2009 from the State Auditor's Office entitled *An Audit Report on Ethics Policies for Trustee Investing Practices at the Employees Retirement System, the Teacher Retirement System, and the University of Texas Investment Management Company* was also presented to the Audit Committee.

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

XVII. REVIEW, DISCUSSION AND CONSIDERATION OF RATES FOR THE BASIC LIFE AND OPTIONAL BENEFIT PLANS UNDER THE TEXAS EMPLOYEES GROUP BENEFITS PROGRAM FOR FISCAL YEAR 2010

Mr. Rob Kukla, Director of Benefit Contracts, reminded the Board that Fort Dearborn Life Insurance Company ("FDL") provides basic and optional term life and accidental death and dismemberment ("AD&D") insurance under the Texas Employees Group Benefits Program ("GBP") and administers the GBP's self-funded Short and Long-Term Disability income plans. The administration is provided as part of a three-year contract that will expire on August 31, 2010, with an option to renew for an additional three-year period.

The member contribution rates for fiscal year 2009 were developed for the Life and Disability Plans based on reasonable expectations of future claims, anticipated claim payment patterns, expected investment income earned on funds held by ERS, and administrative fees included in the FDL contract. The member contribution rates for the AD&D plan were developed to produce adequate revenue to provide for the AD&D premium rates included in the FDL contract.

In developing fiscal year 2010 member contribution rates, Rudd & Wisdom, the consulting actuary for insurance, and the Underwriting and Reporting unit of Benefit Contracts reviewed various factors including contribution and claims experience and retention rates.

The basic life, optional life and long-term disability experience was found to be reasonably consistent with what was anticipated, and Rudd and Wisdom believes that the current rates will continue to be adequate for 2010.

The short-term disability experience was favorable resulting in Benefit Contract staff recommending that rates be reduced 10 percent from \$0.32 per \$100 of covered salary per month to \$0.29 per \$100 of covered salary per month. Rudd & Wisdom concurred with the rate level.

Because administrative fees and AD&D premiums are guaranteed through the remainder of the FDL contract, the analysis of the AD&D rates focused on the adequacy of the current contribution rates in providing for expected life and disability claims anticipated to be incurred during fiscal year 2010. Rudd & Wisdom found the current member contribution rates to be adequate to continue through fiscal year 2010.

The Board then took the following action:

MOTION made by Mr. Owen Whitworth, seconded by Mr. Craig Hester and carried unanimously that the Board of Trustees of the Employees Retirement System of Texas approve the member contribution rates for the Basic Life, Optional Life, Accidental Death and Disability, and Short and Long-Term Disability Plans as presented.¹

XVIII. REVIEW, DISCUSSION AND CONSIDERATION OF HEALTH MAINTENANCE ORGANIZATIONS AND RATES UNDER THE TEXAS EMPLOYEES GROUP BENEFITS PROGRAM FOR FISCAL YEAR 2010

Rob Kukla reminded the Board that the GBP offers two types of health benefits plans for eligible employees and annuitants: HealthSelectSM of Texas and health maintenance organizations (“HMOs”). While both provide comprehensive health and prescription drug benefits, HMOs are not available in all Texas counties. HMOs will cover only those health care services accessed from network providers; however, unlike HealthSelect, there are no circumstances where individuals are required to provide evidence of insurability before enrolling in an HMO.

On December 9, 2008, ERS issued a Request for Application (“RFA”) for qualified HMOs to provide health insurance services as part of the GBP for fiscal year 2010. Mr. Kukla reported that three HMOs responded by the deadline of noon on January 15, 2009. The applications were from the three HMOs that are presently participating in the GBP and providing services in eight areas of the state.

Mr. Kukla added that in accordance with §1551.214, Tex. Gov’t Code, ERS enlisted the services of Rudd and Wisdom, ERS’ consulting actuary for insurance, for advice on the actuarial soundness of the applications received. ERS staff and Rudd and Wisdom reviewed the applications for compliance with the RFA requirements, and also assessed the HMO’s financial strength, provider accessibility, contract deviations, experience, and rates.

ERS received HMO applications from the following:

- Scott & White Health Plans in the Austin, San Angelo, Temple and Waco areas
- SHA, L.L.C., dba FirstCare (FirstCare) in the Abilene, Amarillo, Lubbock and Waco/Temple areas, and
- Community First Health Plan in the San Antonio area.

The Scott & White Health Plan application included sixteen counties not currently covered.

Mr. Dial stated that actual GBP claims experience and reasonable cost trend assumptions, demographic and geographical factors are used to develop the theoretical cost index (TCI), which compares the estimated cost to provide coverage for the HMO’s participants to the estimated cost to provide coverage for the same participants under HealthSelect. The consulting actuary’s TCI analysis of the various HMO premium rate proposals showed that adjustments to the submitted rates were necessary for each of the HMOs. FirstCare, Scott & White and

¹Exhibit A – Page 9

Community First were each given the opportunity to adjust their submitted rates based on the maximum acceptable premium rates for their proposed service areas. Scott & White and Community First agreed to adjust their rates to the maximum acceptable premium rates for their respective service areas and meet the applicable TCI.

FirstCare agreed to adjust its rate proposal for the Waco service area; however, it declined to adjust its rates to the maximum acceptable premium rates for the Abilene, Lubbock or Amarillo areas.

The Board then took the following action:

MOTION made by Mr. Owen Whitworth, seconded by Mr. Don Wood and carried unanimously that the Board of Trustees of the Employees Retirement System of Texas approve the applications, including the premium rates as presented², for the following HMOs to be included as a health benefit plan option in the Group Benefits Program in certain specified areas of the State of Texas: Scott & White Health Plans; SHA, L.L.C., dba FirstCare (Waco/Temple); and Community First Health Plan, to provide services in the Application Area Counties to employees, retirees and their dependents who are eligible to participate in the Texas Employees Group Benefits Program for the period September 1, 2009 through August 31, 2010.

I further move that the Board authorize the Executive Director to negotiate, execute and administer any applicable contracts needed to effect this action. The contracts must be fully satisfactory to ERS. If an HMO does not timely agree to a contract acceptable to ERS, then the Executive Director is authorized to not include the HMO as an option in the Texas Employees Group Benefits Program for fiscal year 2010. Furthermore, in the event that funding is not appropriated by the Legislature at the level that has been projected, the Executive Director is authorized to revise the HMO premium rates and plan benefits to be consistent with the appropriation and HealthSelect, respectively.

XIX. REVIEW, DISCUSSION AND CONSIDERATION OF HEALTHSELECT OF TEXAS RATES UNDER THE TEXAS EMPLOYEES GROUP BENEFITS PROGRAM FOR FISCAL YEAR 2010

Mr. Kukla noted that HealthSelect of Texas is a self-funded Point of Service health benefits plan offered under the Texas Employees GBP and covers approximately 90 percent of the GBP members. Mr. Phil Dial stated that in determining contribution rates for fiscal year 2010, Rudd and Wisdom, ERS' consulting actuary for insurance, and the Underwriting and Reporting unit of Benefit Contracts analyzed revenue requirements, state funding expected to be available for fiscal year 2010, historical enrollment, claims experience, the impact of participating HMOs and other factors. Mr. Dial also noted that the rates for HealthSelect have been the same since 2007. Based on the analysis by Rudd & Wisdom and the legislative appropriation expected for FY10, it is the recommendation of Rudd & Wisdom that ERS increase HealthSelect state and member contribution rates 6.93 percent effective September 1, 2009.

The Board then took the following action:

² Exhibit B – Page 10

MOTION made by Mr. Craig Hester, seconded by Ms. Cydney Donnell and carried unanimously that the Board of Trustees of the Employees Retirement System of Texas approve the HealthSelect contribution rates for fiscal year 2010 as presented.³ I further move, in the event that funding is not appropriated by the Legislature at the level that has been projected, that the Board authorize the Executive Director to revise the HealthSelect rates and plan benefits to the extent required to maintain a Texas Employees Group Benefits Program fund balance of at least \$131 million as of August 31, 2010 in accordance with the analysis and recommendation of Rudd and Wisdom.

XX. REVIEW, DISCUSSION AND CONSIDERATION OF RATES OF THE DENTAL PPO PLAN AND DENTAL HEALTH MAINTENANCE ORGANIZATION UNDER THE TEXAS EMPLOYEES GROUP BENEFITS PROGRAM FOR FY 2010

Mr. Rob Kukla reported that ERS issued a request for proposal (“RFP”) on October 24, 2008, to solicit bids for both the Dental Health Maintenance Organization (“DHMO”) and the Preferred Provider Organization (“PPO”) plans. This RFP contained a request for the current indemnity plan design and an enhanced plan design. The enhanced plan design sought to eliminate the current benefit structure, which phases in benefits over the first three years of participation. Instead, the enhanced plan would use a PPO plan where participants get the highest level of benefit when they choose to go to a contracted provider.

On February 24, 2009, the Board of Trustees approved the selection of HumanaDental Insurance Company as the administrator for the self-funded PPO dental plan for the plan year beginning September 1, 2009. HumanaDental has guaranteed the administrative fee for the four-year term of the contract.

To determine the proposed dental PPO rates, ERS staff and the consulting actuary reviewed the additional claims experience in consideration of the proposed plan design. It was determined that the new plan design could improve benefits by providing coverage for composite restorations when using a contracted provider; providing coverage for dental implants; and setting the allowable charge for non-contracted providers at the 80th percentile of charges in the local area of the provider, as determined by HumanaDental.

The proposed rates are also based on historical experience, estimated trends in per capita benefit costs, the revised plan design, projected provider reimbursement, anticipated enrollment patterns, the contractual administrative fees, and restructuring the contributions among members and dependents to insure that they are paying their fair share of the cost. Under the current plan, the member-only rate was subsidizing the member with dependent rates.

The following table includes the member contribution rates recommended by the consulting actuary and the Underwriting and Reporting unit of Benefit Contracts for fiscal year 2010 for the Dental PPO plan, and compares those recommended rates to the current member contribution:

³Exhibit C – Page 11-12

Coverage Category	Monthly Member Contribution Rates	
	Current FY09	Proposed FY10
Member Only	\$22.08	\$22.46
Member and Spouse	41.73	44.92
Member and Children	49.90	53.90
Member and Family	69.55	76.36
Spouse Only	19.65	22.46
Spouse and Child(ren)	47.47	53.90
Child(ren)	27.82	31.44

DentiCare, Inc., a wholly owned subsidiary of Humana, Inc., was also chosen to underwrite the fully insured DHMO plan beginning September 1, 2009. Premium rates have been guaranteed for the four-year contract term, which expires August 31, 2013.

The following table includes the member contribution rates recommended by the consulting actuary and the Underwriting and Reporting unit of Benefit Contracts for fiscal year 2010 for the DHMO plan, and compares those recommended rates to the current member contribution rates.

Coverage Category	Monthly Member Contribution Rates	
	Current FY09	Proposed FY10
Member Only	\$7.22	\$8.52
Member and Spouse	13.00	17.05
Member and Children	15.66	20.45
Member and Family	19.27	28.98
Spouse Only	5.78	8.52
Spouse and Child(ren)	12.05	20.45
Child(ren)	8.44	11.93

Rob Kukla then recommended that the Board adopt the fee schedules as noted above.

The Board then took the following action:

MOTION made by Ms. Cydney Donnell, seconded by Mr. Owen Whitworth and carried unanimously that the Board of Trustees of the Employees Retirement System of Texas approve the member contribution rates for fiscal year 2010 for the Dental Preferred Provider Organization and the Dental Health Maintenance Organization as presented.

XXI. CONSIDERATION OF ADOPTION OF PROPOSED AMENDMENTS TO TRUSTEE RULES, 34 TAC CHAPTER 71 CONCERNING CREDITABLE SERVICE, CHAPTER 73 CONCERNING BENEFITS, AND CHAPTER 77 CONCERNING JUDICIAL RETIREMENT

Mike Wheeler reported that Sections 815.206 and 840.204 of the Texas Government Code require an investigation of the mortality, service and compensation experience of the

members and beneficiaries of the retirement plans administered by the Employees Retirement System of Texas (ERS) at least every five years.

Mr. Wheeler added that Buck Consultants, ERS' consulting actuary for retirement, conducted an experience study for the fiscal years 2003-2007 and presented the results to the ERS Board of Trustees on May 13, 2008. Following presentation and discussion of the experience study results, the Board adopted the recommended changes to the actuarial assumptions for the ERS plan, Judicial Retirement System of Texas Plan I, Judicial Retirement System of Texas Plan II, and the Law Enforcement and Custodial Officer Supplemental Retirement Fund.

Buck Consultants prepared actuarial factor tables based on the approved actuarial assumptions and presented them to the Board at the February 24, 2009 meeting. Following presentation and discussion, the Board adopted the recommended changes to the actuarial factor tables to be effective September 1, 2009.

Mr. Wheeler noted that amendments to the rules are necessary to incorporate the new factor tables approved by the Board at the February 24, 2009 meeting. The notice of the proposed amendments was published in the April 17, 2009 issue of the *Texas Register*, as required by statute. ERS did not receive any comments on the proposed amendments.

The Board then took the following action:

MOTION made by Mr. Craig Hester, seconded by Mr. Don Wood and carried unanimously that the Board of Trustees of the Employees Retirement System of Texas adopt the proposed amendments to Trustee Rules, 34 TAC Chapter 71, Chapter 73 and Chapter 77 as presented.

The adopted amendment to Trustee Rules, 34 TAC Chapters 71, 73, and 77 were subsequently published in the *Texas Register, Volume 34, Number 23* on June 5, 2009.

XXII. EXECUTIVE DIRECTOR'S REPORT

Ms. Fuelberg's report to the Board is attached as Exhibit⁴. No action was required on this item.

XXII. SET DATE FOR THE NEXT JOINT MEETING OF THE IAC AND ERS BOARD OF TRUSTEES, THE NEXT MEETING OF THE BOARD OF TRUSTEES, AND THE NEXT MEETING OF THE AUDIT COMMITTEE

The ERS Board of Trustees scheduled its next meeting for Tuesday, August 25, 2009. This date was also set as the next meeting dates for the IAC and the Audit Committee.

XXIV. ADJOURNMENT OF THE BOARD OF TRUSTEES MEETING

The meeting of the Board of Trustees adjourned at 4:10 p.m.

⁴Exhibit D – Pages 13-28

GROUP BENEFITS PROGRAM

**Term Life, AD&D and Disability
FY2010 Monthly Member Contribution Rates**

Plan	FY2009	Proposed FY2010
Active and Retiree Basic (1) Term Life and AD&D	\$ 2.23	\$ 2.22
Active and Retiree Optional Life and AD&D (2)		
Under Age 25	\$ 0.06	\$ 0.06
25-29	0.06	0.06
30-34	0.07	0.07
35-39	0.07	0.07
40-44	0.09	0.09
45-49	0.13	0.13
50-54	0.21	0.21
55-59	0.37	0.37
60-64	0.63	0.63
65-69	1.03	1.03
70-74	1.64	1.64
75-79	2.68	2.68
80-84	4.36	4.36
85-89	7.54	7.54
90 & Over	11.74	11.74
Active Dependent Life and AD&D (1)	\$ 1.38	\$ 1.38
Retiree Minimum Optional Life (2)	2.34	2.34
Retiree Dependent Life (1)	3.05	3.05
Voluntary AD&D		
Employee Only (2)	\$ 0.02	\$ 0.02
Employee & Family (2)	0.04	0.04
Short Term Disability (3)	\$ 0.32	\$ 0.29
Long Term Disability (3)	0.70	0.70

Footnotes

- (1) Rates are per unit of coverage. \$5,000 of coverage for active employees and their dependents. \$2,500 of coverage for retired employees and their dependents.
- (2) Rates are per \$1,000 of coverage. Optional Life for retirees does not include AD&D.
- (3) Rates are per \$100 of monthly covered salary

Texas Employees Group Benefits Program
Change in Member Contribution Rates Among HMOs for FY2010
Contribution Rates Do Not Include Basic Life

HMO	FY2009			FY2010			Change in Member Contr.	
	Monthly Rate	State Contr.	Employee Contr.	Monthly Rate	State Contr.	Employee Contr.	Amount	%
Community First								
Member Only	\$ 324.29	\$ 324.29	\$ 0.00	\$ 354.40	\$ 354.40	\$ 0.00	\$ 0.00	
Member & Spouse	697.22	510.76	186.46	761.96	558.18	203.78	17.32	9.3 %
Member & Child(ren)	573.99	449.14	124.85	627.28	490.84	136.44	11.59	9.3 %
Member & Family	946.92	635.61	311.31	1,034.84	694.62	340.22	28.91	9.3 %
Firstcare - Waco								
Member Only	\$ 388.31	\$ 388.31	\$ 0.00	\$ 429.88	\$ 429.88	\$ 0.00	\$ 0.00	
Member & Spouse	834.87	611.59	223.28	924.24	677.06	247.18	23.90	10.7 %
Member & Child(ren)	687.31	537.81	149.50	760.88	595.38	165.50	16.00	10.7 %
Member & Family	1,133.87	761.09	372.78	1,255.24	842.56	412.68	39.90	10.7 %
Scott and White								
Member Only	\$ 374.80	\$ 374.80	\$ 0.00	\$ 426.96	\$ 426.96	\$ 0.00	\$ 0.00	
Member & Spouse	805.82	590.31	215.51	917.96	672.46	245.50	29.99	13.9 %
Member & Child(ren)	663.40	519.10	144.30	755.72	591.34	164.38	20.08	13.9 %
Member & Family	1,094.42	734.61	359.81	1,246.72	836.84	409.88	50.07	13.9 %

Attachment 1

TEXAS EMPLOYEES GROUP BENEFITS PROGRAM

FY10 Monthly Contribution Rates for HealthSelect

Coverage Category	HealthSelect
<i>Active Employees</i>	
Employee Only	\$383.16
Employee & Spouse	823.80
Employee & Children	678.20
Employee & Family	1,118.84
<i>Retirees</i>	
Retiree Only	\$383.16
Retiree & Spouse	823.80
Retiree & Children	678.20
Retiree & Family	1,118.84
<i>Retirees with Interim Insurance Coverage</i>	
Retiree Only	\$1,072.85
Retiree & Spouse	2,306.64
Retiree & Children	1,898.96
Retiree & Family	3,132.75
<i>Surviving Dependents</i>	
Spouse Only	\$440.64
Children Only	295.04
Spouse & Children	735.68
<i>COBRA (Including Former Employee)</i>	
Employee Only	\$390.82
Employee & Spouse	840.28
Employee & Children	691.76
Employee & Family	1,141.22
<i>COBRA (Without Employee)</i>	
Spouse or Child Only	\$390.82
Spouse & Children	691.76

NOTE: Contribution rates do not include basic term life or AD&D.

Attachment 2

TEXAS EMPLOYEES GROUP BENEFITS PROGRAM

**FY10 HealthSelect
Monthly State and Member Contribution Rates**

	HealthSelect		
	Total	State	Member
Member Only	\$383.16	383.16	\$ 0.00
Member & Spouse	823.80	603.48	220.32
Member & Children	678.20	530.68	147.52
Member & SKIP Children – G1	678.20	663.20	15.00
Member & SKIP Children – G2	678.20	653.20	25.00
Member & Family	1,118.84	751.00	367.84
Member & SKIP Family – G1	1,118.84	883.52	235.32
Member & SKIP Family – G2	1,118.84	873.52	245.32

Note: Contribution rates do not include Basic Life.

PUBLIC AGENDA ITEM - #11

11. Executive Director’s Report

May 19, 2009

A. FISCAL YEAR 2009 BUDGET UPDATE

The Finance Division has performed an updated comprehensive forecast of agency expenditures for FY 2009 as compared to the Board approved internal FY 2009 Operating Budget. Finance and Executive Division staff worked with each division director to re-affirm business needs, ensure efficiencies in operations and carefully review all division planned expenditures for the remainder of the fiscal year.

The updated FY 2009 forecast reflects total expenditures at approximately 12 percent lower than the Board approved for the FY 2009 Operating Budget. The lower expenditure level does not compromise progress towards the agency’s four key strategic initiatives or the more detailed divisional operating roadmaps as outlined in the Operating Budget.

Highlights of the expenditure projections are presented in the following table:

CATEGORY	PROJECTION	DESCRIPTION
Salary & Other Costs	(\$3.5 million)	<ul style="list-style-type: none"> • Investments - delay in filling some private equity and real estate positions • Communication & Research – delay in hiring new functional staff • Benefit Contracts – Utilized contracted temporary services in hiring process for permanent staff
Investment Consultants	(\$2 million)	<ul style="list-style-type: none"> • Delay in entering into emerging markets and private real estate asset classes
Legal Services	(\$600,000)	<ul style="list-style-type: none"> • Lower costs per transaction in closing private equity deals • Postponement of real estate transaction until FY 2010

B. TRUSTEE ELECTION UPDATE

The results of the Trustee election were certified on May 12th. Because no candidate received greater than 50% of the vote, a run-off election between the candidates receiving the two highest numbers of votes, Yolanda Griego and Cheryl McBride, will be conducted from June 3 to July 7, 2009, with the results being announced on July 29, 2009. The following are summaries of the voting and election results:

Eligible Voters	262,801
Valid Paper Ballots	84 %
Valid Web Ballots.....	15 %
Voter Turnout	12.3%

Candidate	Votes	Percentage
Yolanda Griego	14,095	44.14%
Cheryl MacBride	9,249	28.96%
John Wicks	6,602	20.68%
Brian White	1,986	6.22%
TOTAL	31,932	100.00%

C. ERS ONLINE SECURITY ENHANCEMENT

This project provides new and improved system security to protect the privacy of our members account information accessible through the online benefits system, ERS OnLine. The security enhancement lets members register their account and select their own user ID and password. Previously it required users to login with their social security number. Since the rollout on April 30, calls to the ERS contact center requesting assistance with their password and system login have decreased 50 percent.

The login system verifies the member data before allowing them to login. Members can also set security questions and answers. All of these measures will make it more difficult for an unauthorized user to access a member's account.

D. COBRA STIMULUS

The American Recovery and Reinvestment Act of 2009, commonly referred to as the federal stimulus bill, signed into law on February 17, 2009 by President Obama, subsidizes premiums for certain former employees covered under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Eligible employees will pay only 35 percent of the cost for coverage. This law applies to employees who were involuntary terminated on or after September 1, 2008, through December 31, 2009. The COBRA premium reduction may last for up to nine months. Employers will get reimbursed for the subsidy from the federal government.

A total of 14,326 GBP participants were involuntarily terminated from employment between September 2008 and March 2009. This retroactive group was notified via mail on Friday, April 17th. ERS will continue to notify participants of their possible eligibility for this subsidy.

To date, we have received 60 requests for enrollment and fewer than 150 calls on the COBRA subsidy. Former employees must get their former employer to certify their eligibility.

E. FEDERAL STIMULUS TAX WITHHOLDING CHANGES

The same recovery act lowered tax withholding tables. The IRS originally ruled that the new tax withholding tables must be applied to annuitants effective April 1. ERS applied the tables to annuity checks paid on April 30. The new rates lowered the overall amount of taxes withheld from ERS annuity checks about \$2 million in April. The lower withholding rates added about 10,000 annuitants to a total of 29,000 annuitants who do not have any taxes withheld from their annuity check.

ERS sent all annuitants a special newsletter about this change. The new tables give the annuitant more money in their pockets in 2009. Because of the increase in taxable income, some retirees may have to pay more when taxes are due in April 2010.

ERS retirees can go online and model different withholding scenarios, or contact ERS to have their withholding adjusted. Since the notification went to annuitants, ERS has received 1,539 calls (a 347% increase over last year).

Because of the possible tax implications of the changes, many retirement systems questioned whether they should be implemented for pension plans. Last week, the IRS determined that pension systems could return to the original tables. Because ERS had already implemented the new tax tables, we will continue using them to avoid any confusion another communication effort may cause.

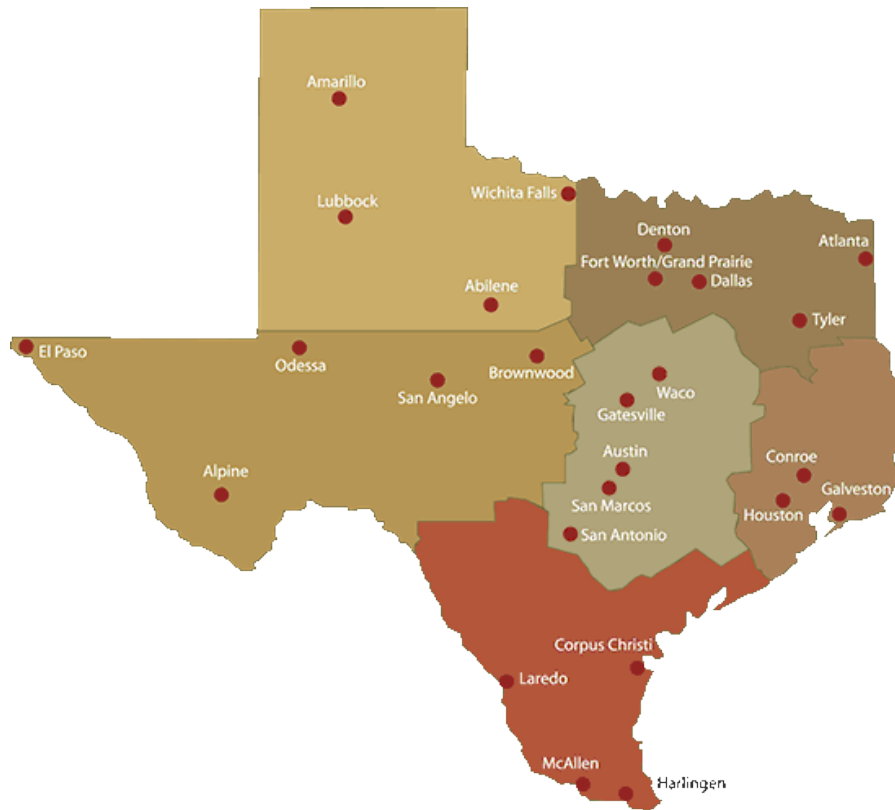
F. SUMMER ENROLLMENT ACTIVITIES

Dates for Plan Year 2010 Summer Enrollment have been set, July 6 to July 31. All employees, retirees and other members of the GBP will be able to make their summer enrollment changes during this time.

New -walk-in service will be provided for extended hours during Summer Enrollment from 7:30 AM to 6:00 PM, Monday thru Friday. Also, during the month of July, the contact center hours will be manned from 7:00 am to 6:00 pm Monday thru Friday, and from 9:00 am to 1:00 on Saturdays.

ERS mails more than 300,000 Personal Enrollment Statement packets to insurance participants during Summer Enrollment. The packets show the participant's benefit enrollment, cost of coverage, their dependent enrollment, and their choices for next plan year.

ERS hosts a number of Summer Enrollment fairs to provide information to people who prefer to talk directly with staff. Below is a map of the cities ERS staff will visit. This year ERS will also offer a variety of webcasts for members and benefit coordinators. All fair presentations will also be available on the ERS website for people who cannot make it to a fair.



ERS has also launched an electronic subscription service. Customers can sign up to receive email updates on topics they are interested in, such as Summer Enrollment, legislation, board of trustee meetings, and news items. Subscribers get automatic updates whenever the website is updated with new information.

G. LEGISLATIVE UPDATE

- **Appointment Confirmations** – Congratulations to ERS Trustees Cydney Donnell and Don Wood on the confirmation of their appointments by the Texas Senate on April 8, 2009.
- **ERS Omnibus Bill, HB 2559** – The ERS bill was passed by the House of Representatives on May 11th. It is next scheduled for a hearing before the Senate State Affairs Committee on Wednesday, May 20th.
- **2010-2011 Appropriations Bill, SB 1** – The House and Senate have passed different versions of the appropriation bill. Legislators from both chambers were chosen for the SB 1 Conference Committee, and have been meeting regularly to work out the differences between the two bills.

The differences between the two bills on provisions related to ERS are detailed on the attached document.

ERS has been told that funding decisions for state employee and retiree benefits will be one of the last items to be considered by the SB 1 Conference Committee

- **Other Bills of Interest** – The list of bills impacting ERS or ERS programs has been updated as of this morning and is attached to this agenda item.

APPROPRIATION BILLS FOR FY 2010-2011

Summary of ERS Related Provisions

SENATE BILL 1	HOUSE BILL 1
<p>Conferees:</p> <div style="display: flex; justify-content: space-between;"> <div style="text-align: left;"> <p>Steve Ogden, Chair Florence Shapiro Tommy Williams</p> </div> <div style="text-align: left;"> <p>Royce West Juan Hinojosa</p> </div> </div>	<p>Conferees:</p> <div style="display: flex; justify-content: space-between;"> <div style="text-align: left;"> <p>Jim Pitts, Chair Richard Raymond Ruth McClendon Jones</p> </div> <div style="text-align: left;"> <p>John Otto John Zerwas</p> </div> </div>
<p>RETIREMENT:</p> <ul style="list-style-type: none"> • ERS - 6.45% state contribution for state employees <ul style="list-style-type: none"> ○ Contingency Rider - State contribution increases to 6.685%, or an additional \$26.3 million for the biennium, contingent upon passage of legislation increasing employee contributions to 6.685% for total contribution of 13.37%, which is equal to normal cost based on February 28, 2009 valuation. (Legislation increasing employee contributions has not been filed.) • LECOS - 2.18% supplemental state contribution for law enforcement and custodial officers, which is normal cost based on February 28, 2009 valuation, and is an additional \$15.2 million for the biennium. • JRS I, JRS II, Chapter 615, and Retiree Death Benefits are fully funded 	<p>RETIREMENT:</p> <ul style="list-style-type: none"> • ERS - 6.45% state contribution for state employees • LECOS - 1.59% supplemental state contribution for law enforcement and custodial officers • Same as SB 1
<p>INSURANCE:</p> <ul style="list-style-type: none"> • Funds the Group Benefits Program based on LBB's growth assumption and spending down the claim reserve fund to zero; this amount is \$56.2 million less than ERS' request to cover expected cost increases and leave a claim reserve fund balance of \$50 million, or 7-days, at the end of the 2010-2011 biennium. <ul style="list-style-type: none"> ○ 100% of cost of health coverage for active and retired employees ○ 50% of cost of health coverage for spouses and dependent children ○ Cost of premium for dependent children of state employees enrolled in the State Kids Insurance Program (SKIP) 	<p>INSURANCE:</p> <ul style="list-style-type: none"> • Same as SB 1

SENATE BILL 1	HOUSE BILL 1
<p>OTHER:</p> <ul style="list-style-type: none"> • \$100,000 to purchase online health risk assessment for state employees that do not already have access to one • \$1 million appropriation from Pension Review Board’s budget contingent upon passage of SB 1548, Ogden’s investments oversight bill. 	<p>OTHER:</p> <ul style="list-style-type: none"> • Same as SB 1 • ERS must make good faith effort to hire qualified emerging fund managers and report efforts to 82nd Legislature
<p>Article IX</p> <ul style="list-style-type: none"> • Coordination between ERS and HHSC in development and maintaining communication and educational SKIP/CHIP documents -- requires use of these documents to inform employees about SKIP/CHIP by all state agencies • Studies: <ul style="list-style-type: none"> ○ Cost and feasibility of denying payment of claims for preventable medical errors having serious and adverse impact on patients as identified by the National Quality Forum or as identified by the Center for Medicare and Medicaid Services. ○ Potential impact of “balance billing” by medical providers and identify recommendation to address the impact ○ Cost-effectiveness of directly contracting with Medicare for retiree prescription drug coverage, and begin application and negotiation process with Medicare should study show direct contracting to be more cost-effective than current coverage through ERS prescription drug plan 	<p>Article IX</p> <ul style="list-style-type: none"> • Same as SB 1 • Same as SB 1 • \$115 million for a supplemental annuity payment not to exceed \$1,000 and payable September 1, 2009, or as soon as practical after that date
	<p>Article XI</p> <ul style="list-style-type: none"> • “Actuarial Sound Contribution” of 15.45%, (\$336 million) • Smoking cessation benefit for state employees (\$5.4 million) • LECOS service for certain TYC staff, contingent on passage of HB 2120 (\$2.7 million) • Supplemental annuity payments, contingent on passage of HB 211 (\$88.8 million) • Creation of Texas Mutual Health Benefit Plan Company, contingent on passage of HB 2470 (\$100,000)

Note: The items listed in Article XI do not represent items of appropriation, but reflect Legislative intent should additional

**Legislation Affecting the Employees Retirement System of Texas
81st Texas Legislature, Regular Session**

Blue – Passed First House
Red – Passed Both Houses
Grey – Bill Failed

Bill	Author	Summary	Status - 5.19.09, 7:30am
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ERS OMNIBUS BILL

HB 2559 SB 1404	Truitt Duncan	Administrative update bill reducing administrative overhead, clarifying the authority of ERS in certain legal actions, addressing issues relating to member benefits, and cleaning up redundant or outdated law. Effective 9.1.2009	Ref. S. State Affairs – 5.12 Referred – State Affairs
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(PIFS = Pension, Investments & Financial Services Committee)

RETIREMENT– EMPLOYEE CLASS

HB 1636 SB 833	Turner Carona	Allows employees on leave from state employment for military duty to continue accruing vacation and sick leave and be credited with the accrued leave upon return to state employment. Effective immediately if 2/3 vote; otherwise, 9.01.2009.	Referred – Def. & Vets Affairs On House Calendar – 5.19
HB 1838	Maldonado	Allows an ERS member who is eligible for federal retirement payments based on 20 years or more of active federal military duty the ability to purchase up to 60 months of that active duty as ERS service credit. Effective immediately if 2/3 vote; otherwise, 9.01.2009.	Pending – PIFS 4.22.09
HB 1934 SB 1063	Naishtat Watson	Allows a member of municipal retirement system, or a person employed by a hospital district, a charitable organization created by the hospital district, or an administrative agency to reestablish service credit previously canceled in another retirement system under the Proportionate Retirement Program as long as the person does not have an open account with the system or entity for which the person performed the service for which credit is sought. Effective immediately if 2/3 vote; otherwise, 9.01.2009.	Laid o/table, Subj. t/Call 5.15 Passed House 5.15
HB 2111	Rodriquez	Provides two supplemental annuity payments in amounts equal to one-twelfth of the annual amount of annuity payments received in the respective fiscal years ending 8/10 and 3/11.	Referred – PIFS 3.9.09 <i>(Contingency rider in Art. XI f/\$88.8 million in House version of SB 1)</i>
HB 2455	Eiland	Authorizes a one-time supplemental retirement/beneficiary payment subject to the availability of funds under the American Recovery and Reinvestment Act of 2009 or other legislative appropriation. The payment must be made not later than September 30, 2009, and in an amount equal to the eligible annuitant's August 2009 annuity, or \$2400, whichever is lesser.	Referred – PIFS
HB 3106 SB 2304	Madden Williams	Expands payment of hazardous duty pay to all full-time employees of the Tx Dept of Criminal Justice (TDCJ). Currently only TDCJ correctional officers are eligible to receive monthly hazardous duty pay in the amount of \$12 for each year of service credit. Effective 9.01.2009	Passed – Corrections 4.22.09 Rep. f/H Corrections 5.13

Bill	Author	Summary	Status - 5.19.09, 7:30am
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RETIREMENT– LAW ENFORCEMENT

HCR 90	McClendon	Expresses Legislature's support of ERS retirees and endorses the issuance of a 13 th check no later than September 2009.	Referred – PIFS
HB 479	Heflin	Provides for accrual of additional sick leave hours for overtime worked by commissioned peace officers and custodial officers. Additional hours range between one to five hours based on amount of overtime worked. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Pending in Corrections 3.12.09
HB 2120	Olivo	Adds juvenile correctional officers and caseworkers to the definition of "custodial officer," making them eligible for membership in LECOSRF for service performed after 9.01.2009	Pending – PIFS 4.15.09 <i>(Contingency rider in Art. XI f/\$2.7 million in House version of SB 1)</i>
HB 2913	Hernandez	Transfers approximately 1,800 commissioned law enforcement officers employed by public institutions of higher education from TRS to ERS and LECOSRF. Effective 9.01.2009.	Pending – PIFS 4.15.09
HB 3493	Corte	Allows parole officers employed by the Board of Pardons and Paroles or the Texas Department of Criminal Justice to establish service credit as a custodial officer for service performed as a parole officer before September 1, 1999. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Pending – PIFS 4.15.09
SB 2009	Jackson	Adds approximately 30-35 state employees classified as "Rescue Specialists" and employed by the Adjutant General's Office to LECOSRF. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Referred – State Affairs

RETIREMENT– ELECTED CLASS

HB 212	Jackson, Jim	Limits service transfers between elected and employee classes by removing ability of elected class members with at least eight years of service credit to transfer service credit between the employee and elected class before or after retirement, but prior employee class service may be transferred to elected class before retirement. Effective for transfers made on or after 08.01.2009 if 2/3 vote received; otherwise, 9.01.2009.	Referred – PIFS
HB 3634	Geren	Provides that a former or retired elected class member who served in the House of Representatives and is employed by the House of Representatives, may only accrue service if working full-time and must provide documentation of such prior to transferring the service to the elected class. Applies to service accrued after the effective date of the bill. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Referred Sen. S.Affrs – 5.13

RETIREMENT– JUDICIAL

Bill	Author	Summary	Status - 5.19.09, 7:30am
HB 1529	Hughes	Increases the salary calculation amount applicable to the standard service retirement annuity by an additional 10 percent for judges who qualify for the 10 percent increase under 839.102(b) and make continuous contributions for at least 22 years, or for at least 20 years if an appellate judge. This bill applies only to JRS II. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Pending – PIFS 4.15.09
HB 2207 SB 2207	Gonzales Hinojosa	Permits judges who are eligible for retirement as an appellate judge to have judicial service credit earned before serving on an appellate court be used to increase the standard benefit calculation (2.3% for each year above rule-of-70 with 12 years of service) at the time of retirement. Effective 9.01.2009	On House Calendar – 5.14 Senate Intent Calendar – 5.19
SB 2252	Zaffirini	Allows members of JRS II to transfer service previously served as a county court at law judge and/or a justice of the peace from the Texas County & District Retirement System (TCDRS) to JRS II. TCDRS would transfer contributions and interest for the period to JRS II and the judge would be responsible for any remaining cost at the rate of 6% of the salary for state district judges for the period purchased, plus interest. Effective 9.01.2009	Referred – State Affairs
CHAPTER 615			
HB 2241	Chavez	Extends state death benefits under Chapter 615 (\$250,000) to survivors of federal law enforcement officers and special agents killed while assisting Texas state and local law enforcement agencies. Effective 9.01.2009.	Pending – PIFS 4.29.08
HB 1303 SB 872	Menedez Lucio	Extends Chapter 615 benefits to trainees for positions that would otherwise qualify for Chapter 615 benefits. Also, provides a grace period of 181 days for lapse in paying insurance contributions under the GBP for survivors of officers killed in the line of duty, and provides a limited enrollment opportunity (thru March 1, 2010) for eligible survivors who chose not to enroll in the GBP on or after September 1, 1993. Effective immediately upon Governor's signature.	Laid o/table–subject to call 5.4 Sent to Governor – 5.11.090
INSURANCE			
Plan design			
HB 1176	Crownover	Adds voluntary consumer-directed health plan in the form a high deductible health (HDHP) plan to the GBP as an alternative to HealthSelect and requires ERS to either purchase or self-fund the HDHP. Effective Date: 9.1.2009, with coverage beginning 9.1.2010	Passed out - PIFS 4.16.09
HB 2470	Gattis	Establishes the Texas Mutual Health Benefit Plan Company (TMHBPC), a mutual Texas Insurance company with the authority to issue health benefits plans. The executive director of ERS would co-preside the TMHBC's board, and ERS would be required to apply to TMHBPC for health benefits for some or all of the current participants of the group benefits plan. Effective 9.01.2009.	Pending – Insurance 3.31.09 (Contingency rider in Art. XI f/\$100k - House version of SB1)

Bill	Author	Summary	Status - 5.19.09, 7:30am
SB 10	Duncan	Requires the ERS Board implement a pilot alternative payment system for paying healthcare providers under the GBP, and establish quality of care standards for individuals participating in the pilot program. The program must be in place by September 1, 2010, and the Board shall report to the Governor, Lt. Governor, and Speaker by November 1, 2011, on the description of the pilot program, an analysis of the quality of care provided to those participating in the pilot, a comparison of per-patient costs; and recommend whether to continue or expand the pilot program.	Hearing H Pub. Health 5.19
SB 2383	Shapleigh	Creates a new state agency, the Texas Health Coverage Agency, to administer the Texas Health System that provides health insurance coverage to all eligible residents in the State of Texas. Transfers all ERS health insurance related functions, records and responsibilities to the new state agency, along with those of TRS, UT, TAMU and health and human services related agencies. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Referred – State Affairs
Eligibility			
HB 436 SB 905	Lucio III Davis	Shortens the current waiting period for new employee participation in the GBP from 90 days to 45 days. Effective 9.01.2009	Referred – PIFS Referred – State Affairs
HB 1607	Flynn	Provides that members of the Texas State Guard called to state active duty become state employees under the Office of the Adjutant General and receive insurance benefits effective immediately upon their being called to state active duty. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Referred - Def. & Vets. Affairs
HB 1736 SB 2014	Anchia Duncan	Allows persons wrongfully imprisoned to participate in the benefit programs under the Texas Employees Group Benefits Program and receive state contributions for the full cost of those benefits. Effective 9.01.2009 NOTE: Senate Committee Substitute removed section applicable to GBP, Senate version does not impact ERS.	H. Concurred in Senate Amendments 5.14.09 On Senate Intent Cal – 5.6.09
HB 2083 SB 41	Solomons Zaffirini	Provides state contribution for Junior College instructional and administrative employees under ERS' appropriation for group benefits. Currently all higher education contributions are appropriated through the individual institutions. Also allows participation of Jr. College employees in the GBP regardless of whether the salaries for the employees are paid from appropriated funds. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Pending S. Finance – 5.11.09 Referred - Finance
HB 2365	Eissler	Allows the 15 Commissioners of the State Board of Education to participate in GBP. Effective 9.01.2009.	Referred – Public Education
HB 2407	Naishtat	Allows a person who leaves state service and has at least 10 years of service credit to remain in the GBP and pay full cost until the person turns 65, whether or not the person is eligible for an annuity. Effective 09.01.2009.	Referred – PIFS

Bill	Author	Summary	Status - 5.19.09, 7:30am
HB 2986	Phillips	Allows juvenile probation officers employed by certain counties to participate in the GBP upon retirement with 10 or more years of service, if their county doesn't provide a retiree health plan or the plan provided isn't comparable to the GBP. Effective 9.01.2009.	Passed House – 5.13.09
HB 3074	Deshotel	Allows instructional employees of institutions of higher education to participate in the group benefits plan as full-time employees if they work between 20-40 hours per week, and allows the UT and A&M systems to contribute the full cost of coverage. Effective 9.01.2009.	Pending – Insurance 4.14.09
HB 3645 HB 4505 SB 42	Zerwas McCall Zaffirini	Provides coverage under the GBP of individuals at higher education institutions with postdoctoral fellowships whether or not they are employed by the institution. Applicable on or after 1.01.2010, or before if deemed reasonable by the ERS Board of Trustees.	Rec Local & Con Cal 4.27.09 Referred – Higher Ed Sub voted f/H Hghr Ed – 5.13
HB 3754	Howard	Permits members of a junior college board to participate in the GBP -- the board member would be responsible for the full contribution. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Pending – Insurance 4.21.09
HB 4394 SB 753	Turner Davis	Removes the 90-day health insurance enrollment waiting period for individuals returning to state employment that have at least 3 months service credit. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Pending – PIFS 4.22.09 Referred – State Affairs
HB 4428	Hernandez	Allows adjunct faculty at higher education institutions to participate in the group benefits plan if they are professional librarians. Effective 9.01.2009	Referred – PIFS
SB 1545	Averitt	Allows continuous coverage of any child or grandchild of GBP members regardless of the child/grandchild's age or marital status; member would be responsible for total monthly cost after the child/grandchild reached age 25. Effective 9.01.2009	Referred – State Affairs
SB 2370	Uresti	Changes the age of unmarried children eligible for dependent coverage in the GBP from age 25 to 29. Effective 09.01.2009, and applies to plans issued or renewed on or after 1.01.2010	Referred – State Affairs
Coverages			
HB 390 HB 2005 SB 39	Zerwas McCall Zaffirini	Requires coverage of routine expenses associated with clinical trials for the prevention, detection or treatment of life-threatening disease or conditions by health plans including HealthSelect and HMOs under GBP. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Pending – Insurance 3.24.09 Referred – Insurance Passed to 3rd Reading on House Calendar – 5.18
HB 844 SB 26	Martinez Zaffirini	Requires coverage of prosthetic and orthotic devices under the GBP as prescribed and at a level equal to Medicare coverage. Applicable to health plans renewed on or after 1.01.2010	Pending – Insurance 3.10.09 Pending - State Affairs 4.15.09
HB 1759 SB 1345	Thompson Watson	Requires coverage of orally administered anti-cancer medications. Effective 9.01.2009, and applies to plans issued or renewed on or after 1.01.2010	Both bills are pending in Senate State Affairs

Bill	Author	Summary	Status - 5.19.09, 7:30am
HB 2000 SB 2205	McCall Van de Putte	Adds coverage of amino acid-based elemental formulas as treatment for certain allergies and illnesses. Effective 9.01.2009	Ref. S. State Affairs – 5.18 Referred – State Affairs
HB 2026 SB 2577	Zerwas Jackson	Requires ERS board to develop cost-neutral/positive bariatric surgery coverage under the GBP. Effective 9.01.2009.	On House Calendar – 5.14.09 Rec'd in House, Not Ref 5.15
HB 2183	Zerwas	Adds coverage of visits to freestanding emergency departments and urgent care clinics, and notification of coverage. Effective 9.01.09	Pending – Public Affrs 3.31.09
HB 2278	Thompson	Requires coverage of supplies and services associated with diabetes treatment. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Referred – PIFS
HB 2967	Coleman	Adds anorexia and bulimia to the definition of mental disorder used under the GBP. Effective 9.01.2009, and applies to plans issued or renewed on or after 1.01.2010	Rep. from H. Ins. – 5.4.09
HB 2969	Coleman	Repeals GBP definition of “serious mental illness” and requires coverage for all mental disorders on the same basis as any other illness Effective 09.01.2009, and applies to plans issued or renewed on or after 1.01.2010	Pending – Insurance 3.31.09
HB 2975	Coleman	Requires coverage of self-inflicted injuries by a minor that occur as a result of a suicide attempt or a serious mental illness. Effective 9.01.2009	Pending – Insurance 4.14.09
HB 3891	Vaught	Adds coverage of bilateral cochlear implants (surgically implanted hearing aids) for minors. Effective 09.01.2009, for coverage beginning 9.10.2009	Referred – Insurance
SB 1733	West	Requires coverage and screening for prostate cancer during routine medical exams for males over age 40. Effective 9.01.2009	Referred – State Affairs
PRESCRIPTION DRUG PLAN			
HB 1696	Isett	Places Pharmacy Benefit Managers (PBMs) under the control of the Texas Department of Insurance and requires pharmacy claims to be paid within 14 days, instead of the current 21 day requirement. Effective 9.01.2009, and applies to contracts issued or renewed on or after 1.01.2010	On House Calendar – 5.14.09
HB 2293 SB 1433	Gattis Watson	Requires that multiple-month supply of maintenance drugs covered under the GBP may be filled at retail pharmacies at the same out-of-pocket cost and same reimbursement rate as mail-order (removes the retail maintenance fee.) Also requires PBM to provide ERS with annual report on actual acquisition costs and rebates. Effective 9.1.2009.	On House Calendar – 5.14.09 Referred – State Affairs

Bill	Author	Summary	Status - 5.19.09, 7:30am
HB 2381 SB 704	Kolkhorst Nelson	Requires state agencies to disclose upon request by another state agency the amounts charged by and pricing information related to PBM services unless excluded by a contract executed prior to September 1, 2009. Prohibits PBM contracts executed after September 1, 2009 from including provisions excluding disclosure of cost information. Effective 9.1.2009	Pending--Public Health 4.22.09 On House Calendar – 5.19
HB 2723	Davis	Limits the pharmacy network under the GBP to only as many pharmacies required to provide adequate access, and authorizes ERS to establish different networks for different regions of the state in order to address region-specific access. Effective 9.01.2009.	Referred - Insurance
HB 4584 SB 2353 SB 888	Pitts Ogden Nelson	Requires the ERS Board to adopt rules establishing a pill splitting program under the GBP's prescription drug plan that includes a participation incentive in the form of copayment reductions. Requires the Board to establish and maintain a list of prescriptions drugs eligible for pill-splitting and report savings, participation, and design on an annual basis to the Governor and LBB. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Referred – Appropriations Referred – Senate Finance Voted f/H St Affairs – 5.18
HB 4596 SB 1416	Kolkhorst Hegar	Sets criteria related to ERS contracts with PBMs included requirements related to therapeutic substitution; formulary changes; disclosure regarding specialty drugs, potential conflicts of interest, and PBM cost savings initiatives, including the determination of rebates; definition of MAC price list; identification of proprietary information; sale of data; right to audit the PBM; disclosure regarding pharmacy audits; and the right to audit mail order pharmacy. Effective 9.01.2009, for coverage beginning 9.1.2010	On House Calendar – 5.14 Referred – State Affairs

WELLNESS

HB 3326 SB 871	Castro Lucio	Adds provisions to the annual report submitted by ERS on insurance cost containment and fraud activities. The report submitted for fiscal year 2010 would be required to include a population-based summary of health risk assessments completed by state and higher education employees, and an evaluation of ERS' weight management programs.	Referred – Public Health Pending H Pub Health – 5.13
HB 3793	Morrison	Requires the establishment of a health and wellness initiative program under the GBP. The program must include an early detection incentive, a no-smoking campaign, match to clinical trials, encouraging second diagnoses or visits to cancer centers for certain diagnoses, a \$100 incentive for completing screenings, and availability to all members. Also requires the ERS Board to establish and maintain a wellness initiative program website. Effective 9.01.2009.	Referred Insurance
HB 4630 SB 2113	Lucio III Lucio	Requires ERS to hire a worksite wellness coordinator to assist state agencies with development of wellness programs, and serve as a wellness information resource to state employees. Effective 9.01.2009	Referred – State Affairs Referred – State Affairs

Bill	Author	Summary	Status - 5.19.09, 7:30am
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INVESTMENTS

HB 2060	Gallego	Requires an annual reporting to the Pension Review Board on the participation of minority and women-owned businesses in the management of investment assets. Effective immediately if 2/3 vote; otherwise, 9.1.2009.	Pending – PIFS 4.8.09
HB 2300	Davis	Prohibits ERS to investment in a domestic entity that created employment outside the United States and eliminated or failed to create similar employment in the United States. Effective 9.01.2009	Referred – Tech,ED,Wrkfr
HB 3878	Gallego	Requires the LBB to include participation of minority and women-owned businesses in the annual report on major investment funds. Effective immediately if 2/3 vote; otherwise, 9.01.09.	Pending – PIFS 4.8.09
HB 4446	Alvarado	Requires that at least 25% of the private professional investment managers in which ERS contracts be women-owned or minority-owned, and voids the ERS Board’s authority to contract for investment or management services on or after 09.01.2014. Effective immediately if 2/3 vote; otherwise, 9.01.2009.	Passed House – 5.15
SB 450	Patrick	Prohibits investments in and requires divestment of securities held in companies with business operations in Iran by Texas governmental entities. Places responsibility of maintaining list of scrutinized businesses on the Comptroller, and provides indirect holdings, cause of action, indemnification, and fiduciary provisions. Places a limit on the fund value loss as a result of divestment to .3% or 30 basis points. Comptroller shall provide list no later than 1.01.10; expires when U.S. sanctions against Iran are revoked or when superseded by Federal law.	Referred – State Affairs
SB 1548 SB 2567	Ogden Duncan	Gives substantial investment oversight authority of public pension funds to the Pension and Investments Review Board including adoption of actuarial standards, investment staff/advisors hiring guidelines, fee review, and reporting requirements. Effective 9.01.2009, subject to sunset review in 2013.	Ref. H. PIFS – 5.4.09 Ref H Appropriations – 5.15 <i>(Contingency rider under Pension Review Brd, f/\$1 million in Senate version of SB1)</i>

TEXA\$AVER

HB 2131	Rios Ybarra	Repeals auto-enrollment in Texa\$aver 401(k) plan for new state employees. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Referred – PIFS
HB 2283	Truitt	Allows the ERS Board to implement a Roth 401(k) plan as part of the Texa\$aver program. Provides that subject to legislative appropriation, ERS may make a matching contribution to a 401(k) participant, but only if ERS receives amounts sufficient to cover normal cost, and has a funded ratio of 90 percent or higher. Requires all state employees, regardless of hire date, to participate in the 401(k) plan by 08.31.10, unless the employee affirmatively opts out. Effective 9.1.2009	Senate Intent Calendar 5.19

Bill	Author	Summary	Status - 5.19.09, 7:30am
MISCELLANEOUS			
HB 399	Villarreal	Allows the Prepaid Higher Education Tuition Board to contract with ERS to provide materials and information for and allow state employees to enroll in the Higher Education Savings Plan and the Prepaid Tuition Undergraduate Education Program (Texas Tomorrow Fund II) during ERS Summer Enrollment. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Pending – Higher Ed 4.01.09
HB 582	Dukes	Requires ERS Board to adopt procedures for notification, through state agencies, of CHIP benefit and enrollment information to terminated employees with dependent coverage. Effective immediately upon Governor's signature.	Sent to Governor 5.18
HB 1346 SB 1147	Quintanilla Carona	Allows elected members of the ERS Board of Trustees to retire while serving on the Board and continue serving the remainder of the term for which they were elected. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Referred Sen. St Affrs 4.24 Referred – State Affairs
HB 1552	Herrero	Requires school districts not currently covered by a Social Security 218 Agreement to conduct a referendum for coverage under Social Security. ERS, as the State's Social Security Administrator, would be required to oversee and certify results of approximately 950 school districts by December 31, 2009.	Referred – Public Education
HB 1707 SB 1071	Geren Wentworth	Exempts ERS Trustees and employees from the statute that provides that information regarding salaries, bonuses, and benefits is confidential, making this information available to the public under the Public Information Act. Effective immediately upon Governor's signature.	Laid o/table-subject to call 5.8 Sent to Governor – 5.8.09
HB 2157	Edwards	Requires ERS to develop a certification process for benefits coordinators at state agencies by January 1, 2010. Also requires ERS to provide refresher courses to benefits coordinators and support to state agencies without dedicated benefits staff, and provide annual reporting on the program to the Governor and LBB.	Referred – PIFS
HB 4115 SB 1589	Pitts Ogden	Requires ERS to provide the Comptroller with annual reports listing the name, address, social security number, and date of birth of each member, retiree, and beneficiary for purposes of returning unclaimed property. The Comptroller is required keep this information confidential. Effective 9.01.2009.	Laid o/table, Subj. to call 5.15 Passed House – 5.15
HB 4351 SB 1941	Morrison Shapiro	Allows the Prepaid Higher Education Tuition Board to enter into an interagency contract with ERS to allow state employees to market the higher education savings plan or prepaid tuition plan during summer enrollment. Effective immediately if 2/3 vote; otherwise, 9.01.2009	Pending – Higher Ed 4.29.09 Rec H. Loc & Cons Cal–5.11
HB 4587	Pitts	Requires ERS, along with the Health & Human Services Commission, to develop and distribute a brochure for state employees on the availability of dependent child coverage under the group benefits plan, SKIP, and Medicaid. Effective 9.01.2009	Referred – Appropriations

Bill	Author	Summary	Status - 5.19.09, 7:30am
SB 8	Nelson	Changes the structure of the governing board of the Texas Health Services Authority including adding the ERS Executive Director. Broadens the entity's responsibilities to include researching and developing strategies to improve health care in Texas, increase the accountability and transparency of providers, and develop and promote best practice standards for practitioners and health care facilities. Effective 9.01.2009	Hearing H. Pub. Health 5.19