

**Amendment No. Two
to the**

EMPLOYEE BENEFIT PLAN
(herein referred to as the "Plan")

SUPPLEMENTARY BENEFIT PLAN DOCUMENT

describing the

PRESCRIPTION DRUG PROGRAM
for the
HealthSelect of Texas Plan

for the

EMPLOYEES RETIREMENT SYSTEM OF TEXAS

Account No. 38000-B

Effective: September 1, 2006

**NOTICE OF ELECTION OF EXEMPTION UNDER THE HEALTH INSURANCE PORTABILITY
AND ACCOUNTABILITY ACT OF 1996**

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) imposes certain requirements on group health plans as follows:

1. Limitations on preexisting conditions exclusion periods;
2. Special enrollment periods for individuals (and dependents) losing other coverage;
3. Prohibitions against discriminating against individual participants and beneficiaries based on health status;
4. Standards relating to benefits for mothers and newborns;
5. Parity in the application of certain limits to mental health benefits; and
6. Required coverage for reconstructive surgery following mastectomies.

However, HIPAA permits certain government group health plans the right of exemption from certain provisions of this federal law. For the plan year from September 1, 2006 through August 31, 2007, the Employees Retirement System of Texas (ERS) has elected to exempt HealthSelect of Texas (HealthSelect) from HIPAA provisions 2 and 3 above. Therefore, employees and retirees who do not enroll themselves and their dependents in HealthSelect during their initial period of eligibility may be subject to evidence of insurability requirements if they wish to enroll at a later date.