



# STRATEGIC PLAN

FISCAL YEARS 2013-2017

# ERS

EMPLOYEES  RETIREMENT  
SYSTEM OF TEXAS

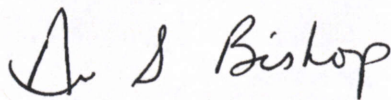
JULY 2012



AGENCY STRATEGIC PLAN  
FOR THE FISCAL YEARS 2013 - 2017  
BY  
EMPLOYEES RETIREMENT SYSTEM OF TEXAS

BOARD MEMBER	DATES OF TERM	HOMETOWN
<b>Yolanda “Yoly” Griego - Chair</b> Elected	09/01/2009 to 08/31/2015	El Paso
<b>I. Craig Hester – Vice Chair</b> Appointed by the Chief Justice of the Supreme Court of Texas	11/01/2005 to 08/31/2016	Austin
<b>Cydney C. Donnell</b> Appointed by the Governor of Texas	06/20/2007 to 08/31/2012	College Station
<b>Cheryl MacBride</b> Elected	10/19/2009 to 08/31/2013	Austin
<b>Brian D. Ragland</b> Elected	09/01/2011 to 08/31/2017	Austin
<b>Frederick E. “Shad” Rowe</b> Appointed by the Speaker of the House	11/28/2011 to 08/31/2014	Dallas

Signed:



**Ann S. Bishop, Executive Director**



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## STATEWIDE MISSION

### THE MISSION OF TEXAS STATE GOVERNMENT

Texas State Government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of a strong family environment for our children. The stewards of the public trust must be men and women who administer state government in a fair, just and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high...we are not here to achieve inconsequential things!

## STATEWIDE PHILOSOPHY

### THE PHILOSOPHY OF TEXAS STATE GOVERNMENT

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise we will promote the following core principles:

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics or individual recognition.
- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
- Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. And just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future, and the future of those they love.
- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse, and providing efficient and honest government.
- Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

## RELEVANT STATEWIDE GOAL

### PRIORITY GOAL OF GENERAL GOVERNMENT

To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- Supporting effective, efficient, and accountable state government operations;
- Ensuring the State's bonds attain the highest possible bond rating; and
- Conservatively managing the state's debt.

## RELEVANT STATEWIDE BENCHMARKS

### BENCHMARKS OF GENERAL GOVERNMENT

- Total state taxes per capita
- Total state spending per capita
- Percent change in state spending, adjusted for population and inflation
- State and local taxes per capita
- Ratio of federal dollars received to federal tax dollars paid
- Number of state employees per 10,000 population
- Number of state services accessible by Internet
- Total savings realized in state spending by making reports/documents/processes available on the Internet and accepting information in electronic format
- Funded ratio of statewide pension funds
- Texas general obligation bond ratings
- Issuance cost per \$1,000 in general obligation debt
- Affordability of homes as measured by the Texas Housing Affordability Index



## AGENCY PURPOSE

### AGENCY MISSION

ERS supports the state workforce by offering competitive benefits at a reasonable cost.

### AGENCY PHILOSOPHY

ERS is dedicated to the prudent management of the trust funds for which we are responsible. We recognize that the benefits we administer provide an important part of the compensation of public employees, contributing to the financial security of our participants. Therefore, we operate in a professional and cost-effective manner, ensuring that every participant receives quality and reliable service.

## EXTERNAL ASSESSMENT

### TARGET POPULATION

ERS primarily serves active and retired employees of the state and higher education institutions along with their dependents and beneficiaries. ERS administers the defined benefit retirement and defined contribution plans and the cafeteria plan. It also administers the Group Benefits Program (GBP) and the state retiree health plan.

As of August 31, 2011, members and beneficiaries of each retirement plan included:

#### **Employees Retirement Program**

Active contributing members	137,293
Non-contributing members	84,900
Total retirement accounts	222,193

Annuitants	83,430
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#### **Law Enforcement and Custodial Officer Supplemental Retirement Program**

Active contributing members	36,806
Non-contributing members	5,785
Total retirement accounts	42,591

Annuitants receiving supplemental benefits	7,728
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**Judicial Retirement System Plan One**

Active contributing members	17
Non-contributing members	5
Total retirement accounts	22

Annuitants	445
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**Judicial Retirement System Plan Two**

Active contributing members	546
Non-contributing members	134
Total retirement accounts	680

Annuitants	208
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As of August 31, 2011, the participants and beneficiaries of the GBP ERS administrators include the following:

**Group Benefits Program**

Active employees	239,138
Retirees and surviving spouses	115,196
Dependents	216,038
COBRA participants	2,213
Total	547,602

**ISSUES**

**Rising Health Care Costs Make GBP Funding Difficult**

Adequate funding of the GBP, including the legally prescribed reserve, continues to be a challenge. The Legislative appropriation for the 2012-2013 biennium provides for increases in per capita funding for the GBP of 6% for FY12 and 7% for FY13. The Legislature was aware that the appropriated funding would not be adequate to cover the expected cost of providing current health plan coverage. It was the intent of the Legislature for the funding deficiency to be covered through subsidies from the GBP contingency fund. Several factors improved the FY12 fund balance projection, including the benefit revisions implemented September 1, 2010 producing greater than expected savings as a result of the impact of the revisions on health care utilization.

Also, the Health plan recently received over \$40 million in funding from the Early Retiree Reinsurance Program (ERRP) established under the Federal Affordable Care Act. These favorable developments have been partially offset by higher than expected hospital and prescription drug benefit cost trends.

Projections for FY 13 assume the continuation of HealthSelect<sup>sm</sup> of Texas benefits and that the plan will not receive any additional funding from the ERRP in FY13. The board approved the HealthSelect state and member contribution rates increases of 7.36% effective September 1, 2012 based on available appropriations. Since the increase is less than what would be required for HealthSelect to break even, it will be necessary to supplement contributions and other revenue sources with approximately \$80 million from contingency funds during FY13. HealthSelect is operating in a volatile environment in which both the cost and utilization of health care services continue to rise.

It is anticipated that contingency funds will not be adequate to fund rising health care costs and an increase in funding will be requested for the FY14-15 biennium.

### **ERS Conducting Studies on Sustainability**

The 82<sup>nd</sup> Legislature directed ERS to conduct two studies during the interim. The studies are to provide options to address the sustainability of the state pension and Group Benefits Program. ERS took an open, transparent approach beginning with three educational forums in November on insurance, retirement and workforce issues. Each forum included specific information about ERS programs as well as industry experts to discuss national trends. Agencies, employee groups, legislative members and staff, vendors, oversight groups and the general public were invited to attend in person or view a webcast of the presentations through the ERS website. The forums and supporting background reports are available on the ERS website. Over 2,000 people subscribed to be notified of the ongoing study activities.

From December through March, ERS held a series of "Solution Sessions", which offered a public opportunity for vendors, industry experts, employee and retiree associations to offer ideas to improve the sustainability of insurance and retirement programs. The sessions were broadcast and recorded, and offered an opportunity for questions from ERS staff and audience members. Proposals presented during the Solution Sessions were analyzed for their cost and member impact to the program and will be included in the final reports. The Texas Public Employee Association and the Texas State Employee Union, along with 15 vendors made public presentations representing their views and ideas.

In addition, ERS surveyed and interviewed state employers, both agencies and higher education, to assess the impact of certain ideas and proposals on the state workforce. Their input will also be included in the report.

The feedback from the forum presentations, meetings, solution sessions and benchmarking research from other states and provided sector programs will be included in each report. Both reports are on target for delivery to the Governor's office and the Legislative Budget Board by September 1, 2012.

## STRENGTHS

ERS's ability to continually enhance the agency's Investment Program is a major strength. ERS has been able to use human resources, highly specialized consultants, supporting technology, and new investment strategies to maintain and grow a prudent, diversified Investments Program. Other agency strengths include robust customer service and effective external communications that have strengthened credibility with our stakeholders.

ERS has supported its core mission by incorporating an extensive strategic planning element into the administrative budget process. The agency reports progress made toward key goals developed in strategic planning to its Board of Trustees on a regular basis. In turn, a supportive, qualified, and knowledgeable Board and Investment Advisory Committee, combined with a positive work environment, competent staff, proactive philosophy, and "can do" attitude, enhances the agency's strengths and abilities. ERS combines innovative business models, a culture of continuous improvement, and cost-effective administration to match or surpass the effectiveness of comparable institutions.

## WEAKNESSES

While the 82nd Legislative Session was regarded as a success for ERS, the passage of many bills affecting the agency, including Senate Bill 1664, presents several challenges. Legislative mandates with strict implementation deadlines must be met with limited existing resources.

Human resource challenges in particular are a cause for concern. A recent Survey of Employee Engagement identified cross-divisional communication and job cross-training as areas where improvement is needed. More than 20% of the current agency staff will be eligible for retirement in the next three years. Many of those employees are in critical decision-making positions. The possible loss of institutional knowledge has made the need for immediate succession planning and cross training a priority. The administrative budget process identified several of these training requirements.

The current 'one size fits all' communications approach of the current strategic plan will not be able to effectively meet the increasing needs of a diverse audience, an audience that is particularly wary of and sensitive to change. As the population served by the agency grows, service demands increase while service level expectations remain at the same high level. ERS also faces the sometimes competing challenges of stakeholders who demand increased transparency and a need to improve the technology that keeps information secure.

## OPPORTUNITIES

ERS considers its strengths in conjunction with its challenges to maximize opportunities in the strategic planning process. During this process an intra-agency planning group of division directors and key staff members establish strategic directions for the agency. Each strategic direction is further expanded by the group to identify supporting objectives, major agency projects and initiatives. The plan serves as a guideline for developing the administrative operating budget. The four strategic directions are:

## **Strategic Direction I: Supporting Retirement Security**

The primary objectives for this strategic direction are to improve defined benefit plan sustainability, assist members in preparing for retirement readiness, and maintain a professional and diversified investment program. These goals direct the activities for the defined benefit plan, the TexaSaver program, and the investment program. The goals for this strategic direction include:

- Seeking funding of the Actuarially Required Contribution (ARC) and outperforming total fund policy investment benchmarks within the limits of the Active Risk Budget.
- Providing resources to support legislative session requests. Legislative support for the session will include serving as resources for hearings on the Interim Benefit Study report.
- Implementation of any subsequent new legislation.

The Investment Program will maintain a professional and diversified investment program, including transitioning to new asset allocation targets. It will optimize the mix of internal management and external advisors. ERS will continue asset allocation transition for the ERS Trust Fund. In addition, there are goals targeted at expanding asset classes and reducing investment risk through additional risk management tools, additional external managers and an internal risk manager.

For the Defined Contribution program, the TexaSaver 401(K) and 457 Deferred Compensation Program, the goals address improving access and expanding options for auto enrollment and rolling external funds into TexaSaver accounts. ERS will assess and improve communication plans, and evaluate and make recommendations regarding fund offerings in the Defined Contribution plan design to assist members in preparing for retirement readiness.

## **Strategic Direction II: Sustaining Competitive Group Benefit Programs**

The objectives for this strategic direction are to manage the group benefit programs, align incentives with health risks, share responsibility for plan costs and provide resources for developing policy. Some of the goals for the next year are related to recent bid proposals. They include the transition to the new third party administrator, evaluating and implementing the Employer Group Waiver Plan plus Wrap for Medicare eligible employees. In FY 2014, a new Prescription Drug Plan contract will need to be bid. Some legislative actions may require additional bids.

There are also goals to measure the effectiveness of cost containment initiatives. A report on bariatric surgery will be done to determine if expected savings were achieved. Findings may drive additional activities. The pilots for accountable practice models were successful and there is a goal to expand to more clinics.

The interim benefits study identifies additional options and wellness incentives for consideration by the health plan. There are goals to implement these options in FY 2014.

Goals also include several evaluations regarding the Medicare Advantage plan and enrollment. An assessment of the Medicare Advantage plan rate structure will also be conducted. Findings of these evaluations will drive activities in the following years.

### **Strategic Direction III: Engaging Stakeholders for Informed Decision Making**

The objectives for this strategic direction include simplifying communications and measuring their effectiveness. ERS plans to leverage internal and external resources and to provide proactive targeted messaging that meets stakeholder needs.

ERS will continue evaluating and implementing new communication technologies, including an overall review of the external agency website and agency publications.

The Interim Benefits Study effort will conclude with briefings to the many stakeholders, and updating and explaining options as necessary. There are also proactive efforts to effectively communicate legislative changes as well as program changes resulting from the session.

### **Strategic Direction IV: Enhancing Agency Performance and Accountability**

The objectives for this strategic direction include leveraging the skills and talents of ERS staff through employee and organizational development, increasing process efficiency, integrating agency planning activities and communication and planning to maintain institutional knowledge and meet changing needs.

Goals involve addressing opportunities identified by the Survey of Employee Engagement (SEE), improving supporting technologies, further leveraging external resources, improving service to members, improving data analytical capabilities and business processes and planning for succession in critical positions as well as cross- training for critical functions.

## **OBSTACLES**

There are several obstacles to ERS objectives. There are competing priorities for limited resources. Return on investment is a challenge given the economic forces that impact business negatively. Due to an aging population of members, the contributing employee to retiree ratio in the state's retirement program continues to decrease.

The financial status of the pension plans is a challenge. The 82<sup>nd</sup> Legislature decreased the state contribution from 6.95% to 6% in FY 12 and to 6.5% for FY 13. Member contributions remain at 6.5%. The current levels of contribution do not meet the requirements for an actuarially sound pension plan. This issue and options for addressing it will be presented in the interim benefits study for pension plans.

In accordance with GASB 43, other post-employment benefits (OPEB) are now reported separately and represent significant costs. The State Retiree Health Plan is a cost-sharing multiple-employer defined benefit post-employment health care plan that covers retirees. The State has no assets allocated for future payments of this program. Other GASB financial reporting changes will also have an impact on pension plan reporting.

Other issues include full implementation of federal health care reform and an aging insurance plan membership that is less healthy than in previous years. Funding for the GBP will continue to be a challenge. Unfunded legislative mandates, including GBP design changes without a corresponding funding increase, negatively impact the program.

## PROGRESS TOWARD ACHIEVING OUTCOMES

The 82<sup>nd</sup> Legislative Session took a number of actions to support the group benefits program. Legislative implementation included:

- Charging tobacco users a higher tobacco user insurance
- Transition of all member records to newly created agencies
- Successful implementation of S.B. 423 allowing survivors of fallen peace officers who have had claims denied due to untimely filing by the employing entity to resubmit their claims for Chapter 615 benefits
- Successful implementation of H.B. 417 and S.B. 1686, which allowed persons who were wrongly convicted to purchase health insurance in the Group Benefits Program beginning in September, 2011
- Implemented the 1% Healthcare Payroll Contribution

In Fiscal Year 2012, the Investment Division improved investment management through expanded expertise, resources, strategies and asset classes. ERS expanded the new private equity portfolio and private real estate portfolios, initiated the hedge fund asset class and continued the emerging manager program implementation. ERS redesigned the securities lending program. The ERS consistently earns investment returns above policy benchmarks. The Investments Division initiated the FY 2012 asset/liability study using a collaborative approach incorporating the expertise of ERS Board of Trustee, Investment Advisory Committee and internal investment staff. The Board held two working sessions with more scheduled. ERS continued to optimize the mix of internally managed and externally advised portfolios.

ERS continued to promote retirement savings by expanding and improving the optional TexaSaver deferred compensation program, including daily investment processing and implementation of a Roth option. A new optional life insurance vendor was procured and transition communications were provided to participants.

The ERS Board of Trustees selected UnitedHealthcare, Inc., as the third party administrator for the HealthSelect program, starting September 1, 2012. The new contract is expected to save the program more than \$40 million. UnitedHealthcare has been very successful in replicating the existing HealthSelect network for members. Transition communications include personalized letters with primary care physician information, comprehensive website information on a custom site and 81 information sessions, webcasts and enrollment fairs to explain the new benefits and ease participant concerns.

On January 1, 2012, Medicare enrolled retirees were automatically enrolled into a Medicare Advantage Employer Sponsored PPO Plan, insured by Humana. The plan cuts the premium contribution costs by half for retirees who are covering a dependent in health insurance. The implementation required ERS to determine system requirements, and test and validate the systems. ERS quickly established business processes for enrollment and the ability for retirees to

change plans throughout the year. ERS did a special communications campaign to roll out the Humana Medicare Advantage Plan and explain the new tobacco premium requirement. ERS hosted 27 live and online information sessions throughout the state. A full 10% of eligible retirees attended the sessions to learn more about the new coverage. About 70% of eligible retirees remained enrolled in the new coverage at the end of the review period.

ERS developed communication materials to explain the new tobacco premium for health insurance participants who use tobacco. The campaign included employer training, direct mail pieces, website material, posters, and electronic communication. ERS created a tobacco-reporting feature on the website where people can report tobacco-using participants

ERS participated in the Interim Benefits Study required by the Legislature to explore and identify cost containment alternatives to sustain benefits for both the Group Benefit Plan and the Pension Plan. A comprehensive, inclusive, and educational approach to the studies were executed. The effort included:

- Three educational forums with good attendance from stakeholders and others watching via a computerized live stream
- ERS held 18 solution sessions, providing opportunities for input
- A survey of employers with follow-up meetings
- Discussions with numerous key stakeholder groups
- A benefits comparability study based on industry research
- The final product will include interactive decision tools, detailed program material and research data that will serve as the foundation for decision-making during the upcoming legislative session. Additional byproducts of the study effort include the development of working relationships with an expanded network of advocacy groups, and an expanded academic partnership with the LBJ School of Public Affairs

ERS provided focused communications on money saving ideas for participants in the Group Benefits Program, including:

- Emphasis on generic drug usage
- Lower retail maintenance costs at certain pharmacies
- Discounts available through the discount purchase program
- Lowering out-of-pocket medical costs through such programs as the Nurseline

ERS installed and integrated the Oracle Policy Automation (OPA) application for rules management. OPA is integrated with PeopleSoft for retirement account withdrawal, service purchase & eligibility calculations and initial retirement and death rules. The award winning project improved system performance and response time by 40% on batch processes and as much as 200% for self-service online transactions.

ERS uses an Executive Steering Committee to allocate internal technology resources to agency goals and strategies. Among the projects underway at ERS are a comprehensive Enterprise Content Management (ECM) infrastructure. ECM document migration was completed. The agency upgraded to SharePoint 2010 enabling better file management and search functionality. Collaboration sites were created to facilitate large projects.



Improvements to customer service included:

- Implemented the call center overflow to improve service to members
- Launched the hosted IVR to improve efficiency, caller routing and customer service
- Implemented online retirement appointment scheduling

An annual enrollment phasing strategy was implemented to improve customer service. Efforts were coordinated to achieve a successful annual enrollment period.

ERS completed the final stages of the COBRA stimulus program under the American Recovery and Reinvestment Act of 2009. Certain individuals who are eligible for COBRA continuation health coverage received a subsidy for 65% of the premium. ERS recovers the subsidy provided to assistance-eligible individuals by reducing monthly employment tax deposits.

ERS also received a federal benefit of over \$40 million from the Early Retirees Reinsurance Program. This helped offset the expenses of the State Retiree Health Plan.

ERS also completed the Dependent Eligibility Audit.

The above mentioned items represent some of the tasks that were accomplished in the business of managing the contracts for retirement, health and other insurance benefits including investment accounts for Texas state employees and retirees.

## DESIRED OUTCOMES

A review of the benefits survey results finds that ERS consistently delivers superior customer service and support with approximately 96 percent of respondents expressing overall satisfaction. This level of customer satisfaction is well above industry norms and is a result of ERS' focus on enhancing the lives of our customers through the efficient delivery of high quality benefits at the lowest practical cost.

## INTERNAL ASSESSMENT

### SUCCESS AT MEETING THE NEEDS OF OUR CUSTOMERS

The Communications and Research department enhanced multiple ERS communication efforts. Achievements in this area include a communications campaign dealing with new legislation. Stakeholder access was increased including updates to the audio and video aspects of the ERS website, which improved transparency of Board meetings via live web streaming. The agency developed and implemented a new brand image. ERS focused communications on the health insurance funding gap and carried out a comprehensive awareness campaign. Communications and Research also provided customized training for targeted benefit coordinators and developed virtual new employee orientation as a resource.

## PUBLIC PERCEPTION OF THE QUALITY OF PRODUCTS AND SERVICES

The ERS customer service division handles approximately 400,000 member interactions annually regarding insurance and retirement benefits through incoming phone calls, emails, and member visits. ERS offers 24-hour self-service options, including the telephone Interactive Voice Response (IVR) system, to provide information regarding retirement account balance and service credit information. In addition, the online tool, ERS OnLine, allows members to obtain information about their benefits and make changes or updates to their personal information.

It is important to ERS that we are meeting the expectations of our members. Therefore, we have developed a comprehensive quality improvement program that includes satisfaction surveys to assess our performance.

The results of our member satisfaction surveys are very positive. 93% of survey respondents rate the ERS telephone representative as courteous and professional, while visitors to ERS rate staff with a 98% satisfaction rate, and new retirees rate ERS' handling of their first annuity payment as highly satisfactory 97% of the time.

Providing our customers with the highest level of service, and listening to what they have to say, is our way to honor the service of Texas state employees and retirees.

## PROGRAMS EXPECTED TO GROW

Investment programs will continue to grow by completing the FY 2012 asset/liability study and transitioning to new asset allocation targets as determined by the study. ERS will continue to optimize the mix of internally managed and externally advised portfolios and conduct external advisor searches as needed, including international, domestic small cap, and fixed income. Streamlining the external advisor search process is also an initiative. The fixed income portfolio structure will be evaluated. The Investment program will continue to build out the private equity, private real estate and hedge fund portfolios. The Investment Division will also continue implementation of the emerging managers program. ERS will also evaluate risk management tools and implement necessary changes. The goal is to outperform policy benchmarks to increase retirement security for members of the ERS pension plan.

ERS will continue to promote and expand the deferred compensation program, through evaluation and enhancement of the Texa\$aver Program. ERS plans to develop and implement the 457 plan document and integrate defined benefit information into the advisory service planning tool for Texa\$aver.

ERS will continue sustaining the competitive group benefits program by evaluating the effectiveness of the cost containment initiative and reporting. ERS will also finalize the retention strategy for the Medicare Advantage PPO program. ERS will also evaluate and finalize the process for handling prescription drugs and reevaluate the processes supporting tobacco use reporting.

ERS will continue engaging stakeholders for informed decision making by supporting the legislative session and implementing legislative changes. ERS also plans to conduct many communications campaigns including those for EGWP plus wrap, the long term care program implementation, annual enrollment, the disability program implementation, the Board of Trustee election, support for the Interim Benefits studies, and new TexaSaver funds. ERS will also continue the communications campaign for the HealthSelect transition to the new third party administrator. A review of external website and mobile applications will be conducted. Members will be able to choose their preferred method of correspondence. Reports will be produced on the results of the bariatric surgery and the annual cost containment report.

ERS will enhance agency performance and accountability by executing the FY 2013 Internal Audit Plan with co-sourced vendors as approved by the ERS Board of Trustees. The Finance Division will coordinate the actuarial valuation reports, support the external financial audit, prepare the Comprehensive Annual Financial Report, and coordinate Fiscal Notes for the legislative session. Finance will collaborate with the Investments Division in the review and selection of an investment accounting system. ERS will also seek to improve energy efficiency by reducing consumption.

Information Systems will perform a detailed analysis and implementation of targeted benefits administration rules within the Oracle policy automation rules management system for increased agility, scalability, and performance. IS will also design and build wireframe to facilitate each division's intranet site migration to SharePoint PointERS. IS will define standards to enable the creation of collaboration sites and enhance coordination of activities related to inter- and intra-divisional documents. Operational efficiency will be increased by enabling workflow to enhance coordination of activities related to inter- and intra-divisional processes. ERS will upgrade the operating system and database platforms to improve performance and ensure continued vendor support to critical business applications. Finally, ERS will enable members to select traditional or electronic delivery of standard documents maintained in the Correspondence Management System (CMS) application, decreasing operational costs to generate correspondence and allow members to communicate via preferred channels.

Increased communication options to members in their preferred method are expected to grow. ERS also seeks to increase the benefit understanding of new state employees by providing employers with additional resources and tools.

The number of retired members receiving insurance benefits known as "Other Post-Employment Benefits" is expected to increase, along with the associated liability.

## PROGRAMS EXPECTED TO DECLINE

The Judicial Retirement System of Texas Plan One covers judges, justices and commissioners of the Supreme Court, the Court of Criminal Appeals, the Court of Appeals, District Courts, and certain commissions to a court who first became members before September 1, 1985. As a result of all new judicial officers, after September 1, 1985, participating in the Judicial Retirement Plan Two, the Plan One membership continues to decrease.

The active member-to-retiree ratio is also expected to decline. The leading edge of Baby Boomers turns 64 in 2010 while the trailing edge turns 46. By 2020, the 55 to 65 age group is projected to increase by 75 percent.

## HUB PURCHASING

ERS has actively sought, and will continue to seek, bids from qualified historically underutilized businesses (HUBs) to support the statewide strategic plan goal. The ERS follows the guidelines set forth by the Comptroller, Texas Procurement & Support Services Division (TPASS).

ERS has developed a process that allows the agency to generate interest and recruit qualified HUBs that can provide the products and services ERS needs. Because ERS is primarily a service agency, it does not procure as many goods as some agencies, but ERS will continue to assist and encourage HUBs to participate in the certification process.

ERS utilizes the Centralized Master Bidders List (CMBL) and the HUB Database Program. ERS is committed to following the guidelines and policies designed to encourage HUB participation, the timely and accurate reporting required for HUB data, and doing its part to meet the state's HUB goals and objectives in the future.

## AGENCY GOALS

### AGENCY GOAL 01

To administer comprehensive and actuarially sound retirement programs.

### AGENCY GOAL 02

Provide employees, retirees, and dependents with a comprehensive, quality health program.

### AGENCY GOAL 03

ERS will establish and carry out policies to ensure that historically underutilized businesses (HUB) will have opportunities to participate in contracts for goods and services necessary for the administration of ERS programs.

## OBJECTIVES AND OUTCOME MEASURES

### AGENCY GOAL 01

To administer comprehensive and actuarially sound retirement programs.

#### OBJECTIVE 01:

Ensure actuarially sound retirement programs such that ERS, JRS-2 and LECOS retirement funds do not exceed the 30-year amortization period limit, that each retirement program receives sufficient funding from contributions and investment income to provide appropriate

post-retirement increases, and that the Employees Retirement Fund maintains a five-year rolling, time-weighted rate of return equal to the actuarially assumed investment rate, each year of the five-year planning period.

**OUTCOME MEASURES:**

- 01: Percent of ERS retirees expressing satisfaction with Member Benefit Services.
- 02: Number of years to amortize the ERS Unfunded Actuarial Accrued Liability.
- 03: Number of years to amortize the LECOS Unfunded Actuarial Accrued Liability.
- 04: Number of years to amortize the JRS-2 Unfunded Actuarial Accrued Liability.
- 05: ERS time-weighted rate of return (five-year rolling basis).
- 06: ERS annual operating expense per active and retired member.
- 07: Investment expense as basis points of net assets.
- 08: Percentage of Time the ERS On-Line System is Available to Customers.

**AGENCY GOAL 02**

Provide employees, retirees and dependents with a comprehensive, quality health program.

**OBJECTIVE 01:**

Manage the group benefits program for general state and higher education employees so that the annual percent change in monthly premiums is reasonable, and the average time to process group insurance claims is reasonable while allowing sufficient time for fraud detection.

**OUTCOME MEASURE:**

- 01: Percent of HealthSelect Participants expressing satisfaction with Network Service.

**AGENCY GOAL 03**

ERS will establish and carry out policies to ensure that HUBs will have opportunities to participate in contracts for goods and services necessary for the administration of ERS programs.

**OBJECTIVE 01:**

To increase the participation of HUBs in contracts and subcontracts awarded annually by ERS so that the goals established by rule of the Texas Comptroller, TPASS can be met.

**OUTCOME MEASURE:**

- 01: Percent of total dollar value of purchasing and public works contracts and subcontracts awarded to HUBs.

## STRATEGIES AND OUTPUT, EFFICIENCY, AND EXPLANATORY MEASURES

### AGENCY GOAL 01

**Strategy 01:** Provide an actuarially sound level of retirement funding as defined by state law.

#### OUTPUT MEASURES:

- 01: Number of ERS retirees added to annuity payroll.
- 02: Number of ERS accounts maintained.

#### EXPLANATORY MEASURES:

- 01: Number of ERS annuitants.

**Strategy 02:** Maintain a retirement program for law enforcement and certain Texas Department of Criminal Justice employees (LECOS).

#### OUTPUT MEASURES:

- 01: Number of LECOS retirees added to annuity payroll.
- 02: Number of LECOS accounts maintained.

#### EXPLANATORY MEASURES:

- 01: Number of LECOS annuitants.

**Strategy 03:** Maintain an actuarially sound retirement program for state judicial officers (JRS-2 fund).

#### OUTPUT MEASURES:

- 01: Number of JRS-2 retirees added to annuity payroll.
- 02: Number of JRS-2 accounts maintained.

#### EXPLANATORY MEASURES:

- 01: Number of JRS-2 annuitants.

**Strategy 04:** Provide for the payment of JRS-1 benefits and membership refunds as required by law.

**OUTPUT MEASURES:**

01: Number of JRS-1 retirees added to annuity payroll.

02: Number of JRS-1 accounts maintained.

**EXPLANATORY MEASURES:**

01: Number of JRS-1 annuitants.

**Strategy 05:** Administer the payment of benefits to beneficiaries of certain law enforcement officers, firefighters, and emergency medical technicians killed in the line of duty as required by Chapter 615, Government Code.

**OUTPUT MEASURES:**

01: Number of death benefit claims processed.

02: Number of beneficiaries receiving benefits.

**Strategy 06:** Provide lump-sum retiree death benefits under Section 814.501, Government Code.

**OUTPUT MEASURES:**

01: Number of retiree death benefits paid.

**EFFICIENCY MEASURE:**

01: Average number of days to process retiree death benefits.

**AGENCY GOAL 02**

**Strategy 01:** Provide a GBP (basic health care and life insurance program) for general state employees, retirees and their dependents.

**OUTPUT MEASURES:**

01: In-Network Services (Facility and Provider) as a Percentage of Total Services (Facility and Provider).

02: Mental health/substance abuse costs as a percent of total HealthSelect costs.

03: Prescription drug program costs as a percent of total HealthSelect costs.

**EFFICIENCY MEASURES:**

- 01: Percent of medical claims processed within 30 days.
- 02: Percent of electronic pharmacy claims paid within 21 days.
- 03: Total cost paid per HealthSelect member for medical administrative and claims processing.
- 04: Total cost paid per HealthSelect member for pharmacy administrative and claims processing.

**EXPLANATORY MEASURES:**

- 01: Number of employees, retirees and dependents covered by the GBP.
- 02: Percent of participants in HMOs.

**AGENCY GOAL 03**

**Strategy 01:** Develop and implement a plan to increase the participation of HUBs in contracts and subcontracts for purchasing and public works.

**OUTPUT MEASURES:**

- 01: Number of HUB contracts and subcontracts awarded.
- 02: Dollar value of HUB contracts and subcontracts awarded.



## TECHNOLOGY RESOURCES PLANNING

### PART 1: TECHNOLOGY ASSESSMENT SUMMARY

ERS plans to expand the features and use of our Enterprise Content Management (ECM) System. This includes agency-wide adoption of the ECM system enabling more effective content management, retrieval of information, process documentation & automation and Business Intelligence to support strategic business decisions as well as to provide dashboard reports for key process indicators.

ERS will continue enhancement of existing security policies that are aligned with ISO 27001 and TAC 202.

#### **Statewide Technology Goal 1**

Strengthen and Expand the Use of Enterprise Services and Infrastructure

##### 1.1 Enhance Capabilities of the Shared Infrastructure

- Data Center Infrastructure
- Communications Technology Infrastructure
- Statewide Portal Infrastructure

##### 1.2 Leverage Shared Applications

- Enterprise Resource Planning (ERP)
- Email Messaging

##### 1.3 Leverage the State's Purchasing Power

- Product and Services Portfolio Expansion

1.a ERS plans to continue to leverage the State's purchasing power through the use of Information and Communications Technology purchasing contracts offered through DIR. We plan to use these contracts for future procurement of hardware, software and services supporting our technology infrastructure.

1.b ERS plans to continue embracing internal consolidation technologies and methodologies to reduce capital costs for our technology infrastructure. We will also continue to look for opportunities to participate in multi-agency services where appropriate. Reciprocal interagency agreements are already in place for some services such as work locations for staff in the event of a disaster.

**Statewide Technology Goal 2**

Secure and Safeguard Technology Assets and Information

2.1 Align the State's Approach to Enterprise Security with other State and National Strategies

- State Enterprise Security Plan
- Vulnerability to Cyber Attacks
- Response and Recovery Capabilities

2.2 Integrate Identity Management, Credentialing, and Access Privileges

- Identity Management Services

2.a ERS will continue enhancement of existing security policies that are aligned with ISO 27001 and TAC 202.

The agency's Information Security Plan includes conducting monthly internal vulnerability testing for mission critical resources and annual penetration tests performed by DIR.

The agency will continue to periodically conduct Disaster Recovery and Continuity of Operations drills to measure the effectiveness of written procedures and processes.

The agency has an active Data Loss Prevention (DLP) program to monitor and control external communication of SSN via email and internet protocols. The agency uses SFTP for all file transfers to vendors and serviced government organizations (State Agencies and Institutions of Higher Education).

2.b The agency's Information Security Manual (ISM) prescribes the security standards for data usage addressing Identity Management and Access Authorization in compliance with ISO 27001 and TAC 202.

The agency's Information Security Plan includes auditing, reviewing, and approving access permissions to core applications on an annual basis.

**Statewide Technology Goal 3**

Serve Citizens Anytime, Anywhere

3.1 Expand and Enhance Access to Agency Services

- Multi-Channel Access
- Rural Broadband Expansion

3.2 Facilitate Open and Transparent Government

- Best Practices for Information Assets

3.a The agency plans to explore and implement technologies and services to engage stakeholders.

The agency will continue to expand its social media program. The agency has initiated activities using various social media channels. The agency has a FaceBook site that will be reviewed for additional opportunities. Additionally, the agency continues to explore opportunities to augment our use of YouTube's government channel to release videos communicating our services.

The agency will continue to explore additional communication channels such as a live chat feature and/or blog with Customer Service Representatives to communicate and engage with ERS members.

ERS plans to conduct a usability study and implement identified enhancements on our external website. We plan to go through this assessment and enhancement process on an iterative basis every two years.

3.b The agency plans to continue to promote transparency of agency information through channels such as webcasting public feedback sessions, providing Board agenda and minutes online with videos and presentations.

**Statewide Technology Goal 4**

Pursue Excellence and Foster Innovation across the Enterprise

4.1 Link Technology Solutions to Workplace Innovations

- Workplace Productivity and Collaboration

4.2 Pursue Leading-Edge Strategies for Application Deployment

- Cloud Computing
- Specifications, Toolkits, and the Application Marketplace
- Legacy Systems Modernization

4.3 Optimize Information Asset Management

- Best Practices for Managing Digital Information

4.4 Promote the Use and Sharing of Information

- Health Information Exchange
- Statewide Communications Interoperability
- Justice Information System Integration
- Enterprise Geospatial Services

4.a As part of an expansion to our Enterprise Content Management (ECM) platform, ERS plans to continue utilization of collaborative functions to foster communication internally within the organization as well as externally with third party administrators.

The agency plans to implement additional workflows within the ECM platform to increase efficiency of processes and the flow of process documents.

The agency also plans to drive higher adoption rates and utilization of communication tools that provide 'presence' information to those seeking to communicate with them. This will help drive more dynamic and effective communication between individuals and teams.

4.b ERS plans to continue the agency's legacy system modernization initiative with expanded usage of our Business Rules Management solution as an alternative to application development of business rules into the applications. This allows for changes of business rules to be implemented more quickly without requiring customization to the application code itself.

The agency also plans to continue the practice of using alternative lower cost development platforms to achieve the same results more efficiently and intuitively for application users.

ERS also plans to continue using cloud based applications where appropriate to increase reliability and lower overall support costs. ERS plans to explore additional options with our current cloud based Interactive Voice Response (IVR) solution.

4.c ERS plans to automate the records management and retention process through the ECM platform. This will be accomplished using automated workflows to identify records that have satisfied the retention schedule and facilitate purging the information from the system.

4.d ERS plans to enhance the sharing of information with business partners through the collaborative features offered by the Enterprise Content Management platform.

PART 2: TECHNOLOGY INITIATIVE ALIGNMENT

The table below depicts the format and mapping of the Employees Retirement System of Texas' current and planned technology initiatives to the agency's business objectives.

TECHNOLOGY INITIATIVE	RELATED AGENCY OBJECTIVE	RELATED SSP STRATEGY /(IES)	STATUS	ANTICIPATED BENEFIT(S)	INNOVATION, BEST PRACTICE, BENCHMARKING
1. Enhancements to the Pension Retirement System.	Goal 1; Objective 1	3 - 1 4 - 2	Current	Ability for members to review and edit their personal pension information on-line.	INNOVATION – Integrate Self Service functionality in to the existing Pension system.
2. Innovative Communication Technology.	Goal 1; Objective 1	1 - 1 4 - 1	Current	Increases available channels of communication and allows staff and members to communicate more effectively.	INNOVATION – Improve methods of communications for ERS employees and members
3. Agency use of PMO Project Planning/Tracking Tools.	All Objectives	4 - 1 4 - 2	Current	Consistency in the project management methodology across divisions. Increased visibility and accountability of projects.	BEST PRACTICE – Provide project planning/tracking tools to all levels of the agency
4. Enterprise Information Management Foundation.	All Objectives	4 - 3	Current	Structured model for creating, editing, storing retrieving, and disposing of information.	INNOVATION – Develop efficiencies through business processes and workflow.
5. Create the ability to provide payments on-line.	Goal 1; Objective 1	1 - 3 2 - 2 3 - 1 3 - 2 4 - 1 4 - 4	Planned	Will provide improved accessibility for members to utilize self service payment functionality.	INNOVATION – The ability to capture payments on-line for ERS related services.

TECHNOLOGY INITIATIVE	RELATED AGENCY OBJECTIVE	RELATED SSP STRATEGY/ (IES)	STATUS	ANTICIPATED BENEFIT(S)	INNOVATION, BEST PRACTICE, BENCHMARKING
6. Develop and implement an agency wide information security program.	All Objectives	2 - 1 2 - 2	Current	Increase agency security awareness and improve current security infrastructure.	BEST PRACTICE – Improve methods and tools for secure deployment of IT and data resources.
7. Develop an Enterprise Risk Management Plan.	All Objectives	2 - 1 2 - 2	Current	Reduce risk, identify critical business processes, and provide mitigation planning.	BEST PRACTICE – Improve methods of identifying and mitigating risks.
8. Enhance and re-develop the utilization of web enabled technologies.	All Objectives	3 - 1 3 - 2	Current	Identify avenues to new web based functionality to enhance efficiencies.	INNOVATION – Improve web functionalities via new web technologies.
9. Enhance Data Warehouse with Business Intelligence to support strategic decisions	Goal 2; Objective 1	4 - 3 4 - 4	Current	Produce usable and actionable information to help attain agency goals	INNOVATION – Increase availability to relevant information resulting in reduced decision time and more effective results. Identify and alert on trends related to key processes within the agency.
10. Provide members with tools to identify quality and cost effective choices	Goal 2; Objective 1	3 - 1	Current	Provide members with information to help them make informed decisions on utilization of financial and health benefits.	INNOVATION – Help maximize utilization of member benefits based on individual preferences and reduce costs for member and the agency

TECHNOLOGY INITIATIVE	RELATED AGENCY OBJECTIVE	RELATED SSP STRATEGY/ (IES)	STATUS	ANTICIPATED BENEFIT(S)	INNOVATION, BEST PRACTICE, BENCHMARKING
11. Evaluate & update agency website to enhance usability and effectiveness	All Objectives	3 - 1	Current	Provide members with an intuitive web portal for managing their benefits and staying abreast of agency news and information	BEST PRACTICE – Ensure website adheres to industry best practices and provides an intuitive interface for members to consume services managed by the agency
12. Enhance IVR usability and expand self service features	Goal 1; Objective 1  Goal 2; Objective 1	3 - 1	Current	Ability for members to retrieve their personal benefits information via telephone.	INNOVATION – Integrate additional Self Service functionality in to the existing cloud based IVR system.
13. Enhance and expand Enterprise Content Management platform	All Objectives	4 - 3	Current	Structured model for creating, editing, storing retrieving, and disposing of information.	INNOVATION – Develop efficiencies through business processes and workflow.
14. Explore alternative customer service delivery options for contact center	Goal 1; Objective 1  Goal 2; Objective 1	3 - 1	Current	Improve customer service experience during high volumes of customer contacts	INNOVATION – Provide low cost high quality service to members during high volume





## APPENDIX A: DESCRIPTION OF AGENCY'S PLANNING PROCESS

ERS leadership makes strategic planning a priority. Beginning in 2006, the agency identified four key strategic directions. During the planning process, goals are defined to support each of these strategic directions relevant to the next 3 fiscal years. These goals are known as roadmap items. Roadmap items are detailed in the ERS administrative operating budget and monitored at the executive level throughout the year.

To accomplish strategic planning, ERS conducted a series of meetings beginning in March, 2012 through May of 2012 to reassess its mission, philosophy, strategic directions, objectives and goals. ERS Government Relations staff facilitated the progression of planning sessions. The Executive team, Division Directors and a selected group representing all functional areas of ERS participated in updating the strategic plan.

This inclusive approach was engaging, highly participatory and resulted in the definition of ERS objectives and goals for FY 2013 – FY 2015.

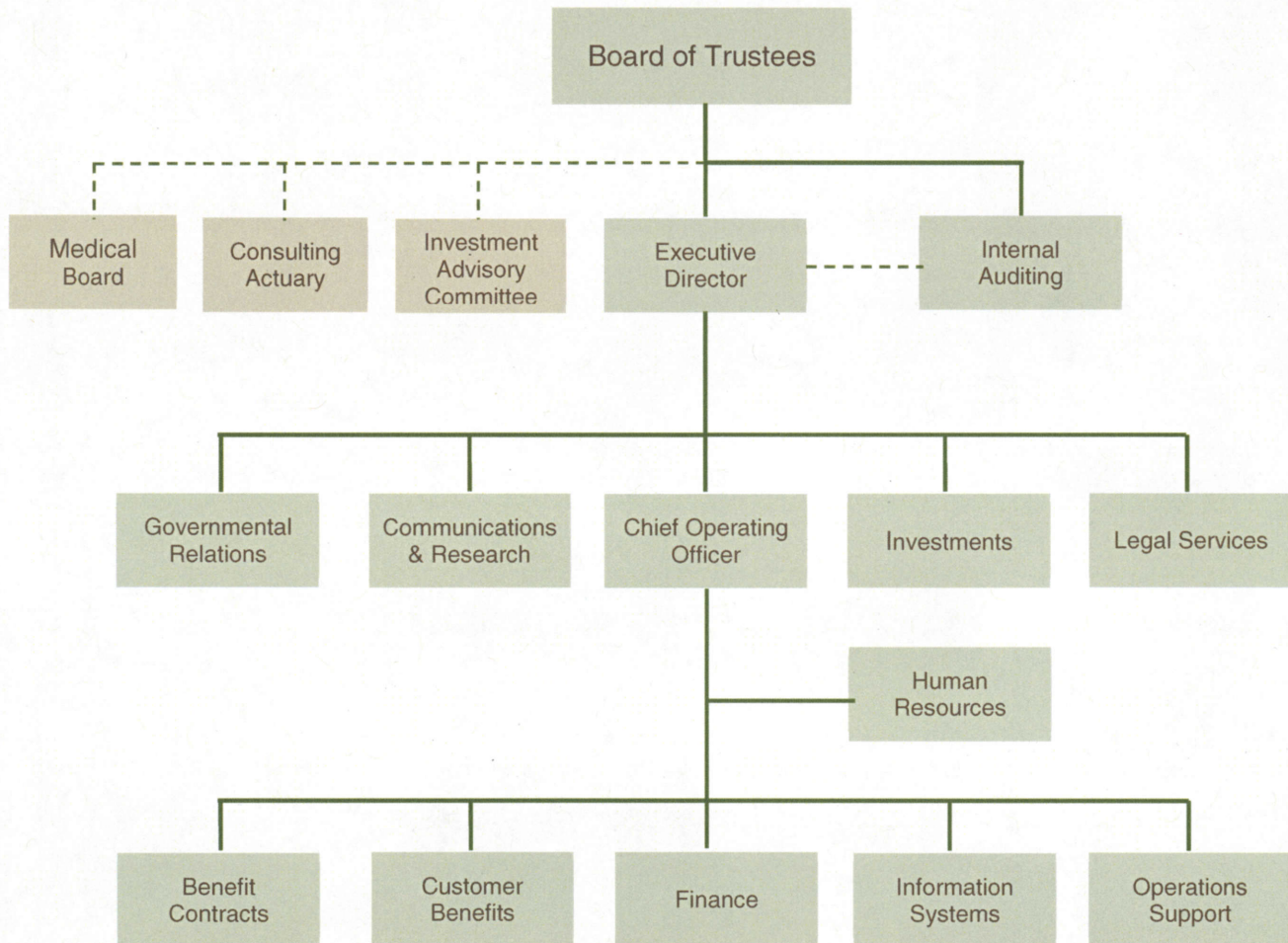
All ERS employees were invited to review the draft updated strategic plan and their feedback was considered in finalizing the plan.

The administrative operating budget is developed annually in support of the strategic directions with specific roadmap items defined to achieve those objectives and goals. Progress on accomplishing the roadmaps for FY 2013 – FY 2015 will continue to be reported to the Board of Trustees on a quarterly basis.



APPENDIX B: ORGANIZATION CHART

As of July 2012





**APPENDIX C: FIVE-YEAR PROJECTIONS FOR OUTCOMES**

<b>GOAL 1</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Outcome 1 Percent of ERS retirees expressing satisfaction with Member Benefit Services	97%	97%	97%	97%	97%
Outcome 2 Number of years to amortize the ERS unfunded actuarial liability	999,999,999	999,999,999	999,999,999	999,999,999	999,999,999
Outcome 3 Number of years to amortize the LECOS unfunded actuarial liability	999,999,999	999,999,999	999,999,999	999,999,999	999,999,999
Outcome 4 Number of years to amortize the JRS-II unfunded actuarial liability	999,999,999	999,999,999	999,999,999	999,999,999	999,999,999
Outcome 5 ERS time-weighted rate of return (5 year rolling basis)	5.52%	8.00%	8.00%	8.00%	8.00%
Outcome 6 ERS expenses per active and retired member	\$59.90	\$61.00	\$61.00	\$61.00	\$61.00
Outcome 7 Investment expense as basis points of net assets	16.00	16.00	16.00	17.00	17.00
Outcome 8 Percentage of Time the ERS On-line System is Available to Customers	96%	96%	96%	96%	96%
<b>GOAL 2</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Outcome 1 Percent of managed care network participants rating ERS insurance services as satisfactory or better	90%	90%	90%	90%	90%
<b>GOAL 3</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Outcome 1 Percent of total dollar value of purchasing and public works contracts and subcontracts awards to HUBs excluding investment counseling services	15%	15%	15%	15%	16%



## APPENDIX D: LIST OF MEASURE DEFINITIONS

This appendix includes the Objective Outcome Definition Report and the Strategy-Related Measures Definitions Report from the Automated Budget and Evaluation System of Texas (ABEST) system.

### Objective: Ensure Actuarially Sound Retirement Programs

#### Outcome Measure: Percentage of ERS Retirees Expressing Satisfaction with Member Benefit Services

*Definition:* The number of retirees in the Employees Retirement System (ERS) satisfied with benefit services offered by the agency.

*Purpose/Importance:* This measure is intended to reflect the success of the agency's effort to administer comprehensive and actuarially sound retirement programs.

*Source/Collection of Data:* This data is obtained from the ERS Annuity Survey. This survey is mailed to all new retirees 75 days after their first annuity check. Surveys are received throughout the year with Satisfied/Extremely Satisfied, When Expected/Sooner, and Amount Expected/More ranked as satisfied. All other responses rank as unsatisfied.

*Method of Calculation:* The total number of retirees expressing satisfaction is divided by the total number of retirees responding to the survey to arrive at a percentage.

*Data Limitations:* The measure depends on adequate numbers of responses from survey participants.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Outcome Measure: Number of Years to Amortize the ERS Unfunded Actuarial Accrued Liability**

*Definition:* Number of years required to amortize any unfunded liability of ERS.

*Purpose/Importance:* This measure is intended to report the success of the agency's effort to administer comprehensive and actuarially sound retirement programs such that the ERS retirement fund does not exceed the 30-year amortization period limit.

*Source/Collection of Data:* Actuarial Valuation Reports.

*Method of Calculation:* The System's actuarial valuation reports the Actuarial Value of Assets and the Actuarial Accrued Liability. If liabilities exceed assets, the valuation will report an amortization period in years. If assets exceed liabilities, the amortization period will be zero years.

*Data Limitations:* The state contribution and the number of years required to meet actuarial soundness is set by the State Legislature.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Lower than target.

**Outcome Measure: Number of Years to Amortize the LECOS Unfunded Actuarial Accrued Liability**

*Definition:* The number years required to amortize any unfunded liability of the LECOS.

*Purpose/Importance:* This measure is intended to report the success of the agency's effort to administer comprehensive and actuarially sound retirement programs such that the LECOS retirement fund does not exceed the 30-year amortization period limit.

*Source/Collection of Data:* Actuarial Valuation Report.

*Method of Calculation:* The System's actuarial valuation reports the Actuarial Value of Assets and the Actuarial Accrued Liability. If liabilities exceed assets, the valuation will report an amortization period in years. If assets exceed liabilities, the amortization period will be zero years.

*Data Limitations:* The state contribution and the number of years required to meet actuarial soundness is set by the State Legislature.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Lower than target.



**Outcome Measure: Number of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability**

*Definition:* The number years required to amortize any unfunded liability of the Judicial Retirement System Plan 2 (JRS-2).

*Purpose/Importance:* This measure is intended to report the success of the agency's effort to administer comprehensive and actuarially sound retirement programs such that the JRS-2 retirement fund does not exceed the 30-year amortization period limit.

*Source/Collection of Data:* Actuarial Valuation Report.

*Method of Calculation:* The System's actuarial valuation reports the Actuarial Value of Assets and the Actuarial Accrued Liability. If liabilities exceed assets, the valuation will report an amortization period in years. If assets exceed liabilities, the amortization period will be zero years.

*Data Limitations:* The state contribution and the number of years required to meet actuarial soundness is set by the State Legislature.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Lower than target.

**Outcome Measure: ERS Time-Weighted Rate of Return ( Five-Year Rolling Basis )**

*Definition:* The rate of investment return achieved by the Pension Investment Pool (ERS, LECOS, JRS-2), adjusted to a five-year rolling basis.

*Purpose/Importance:* This measure is intended to reflect the success of the agency's effort to administer comprehensive and actuarially sound retirement programs such that the Employees Retirement Fund maintains a five-year rolling, time-weighted rate of return equal to the actuarially assumed investment rate of 8 percent, each year of the five-year planning period. The rate of return measures the performance of the total investment portfolio, considering income and market impact, eliminating the effect of the timing of cash flows. The five-year rolling return is used to smooth market swings and to maintain consistency with the long-term nature of the fund.

*Source/Collection of Data:* Time-Weighted Rates of Return and Asset Allocations schedule in the agency's Comprehensive Annual Financial Report (CAFR). The custodian of the fund's portfolio maintains data on holdings, transactions and income.

*Method of Calculation:* The Trust's custodian calculates the rate of return (ROR) daily on the Investment Pool using the Modified Dietz Method. The calculation for the ROR is  $(EMV - BMV - CF) / (BMV + CF)$ . Cashflows (CF) include contributions to and withdrawals from the Investment Pool. Daily rates are then linked to derive monthly and annual rates of return. Annualized rates of return are derived using the following calculation (assumes 60 months to arrive at the 5 year annualized ROR above):

$$\{(ROR_1 + 1)(ROR_2 + 1)(ROR_3 + 1) \dots (ROR_{60} + 1)\}^{1/5} - 1$$

Beginning Market Value (BMV)  
Ending Market Value (EMV)

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Outcome Measure: ERS Annual Operating Expense Per Member**

*Definition:* The cost per active, non-contributing and retired member and beneficiaries to administer the Employees Retirement System (ERS).

*Purpose/Importance:* This measure is intended to reflect the efficiency of the agency's effort to administer comprehensive and actuarially sound retirement programs.

*Source/Collection of Data:* Highlights of Retirement Programs and Combining Statement of Changes in Fiduciary Net Assets in the agency's Comprehensive Annual Financial Report.

*Method of Calculation:* Total Administrative Expense for Fund 0955 from the Combining Statement of Changes in Fiduciary Net Assets is divided by the total of the sum of active, non-contributing, and retired members and beneficiaries to arrive at cost per member. This measure does not include investment expenses, which are measured as basis points of net assets.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Lower than target.

**Outcome Measure: Investment Expense as Basis Points of Net Assets**

*Definition:* The ratio of investment expenses to the total assets of the Employees Retirement Fund (0955).

*Purpose/Importance:* This measure is intended to reflect the efficiency of the agency's effort to administer comprehensive and actuarially sound retirement programs.

*Source/Collection of Data:* Combining Statement of Changes in Fiduciary Net Assets and the Other Supplementary Information – Schedule 4, Administrative & Investment Expenses/Expenditures in the agency's Comprehensive Annual Financial Report.

*Method of Calculation:* Investment Expense minus Alternative Investment Expenses for Fund 0955 is divided by the total assets for Fund 0955. The ratio is expressed in basis points – 100 basis point equals 1 percent.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Lower than target.

**Outcome Measure: Percent of Time the ERS On-Line System is Available to Customers**

*Definition:* The percentage of time that the Employees' Retirement System (ERS) On-line system is available to customers.

*Purpose/Importance:* The measure addresses the extent to which ERS services are available and accessible to customers. ERS has made significant efforts to modernize systems and to make services to customers, including self-service components, readily available and easily accessible through the ERS website.

*Source/Collection of Data:* ERS uses an automated software tool to monitor and report on system availability.

*Method of Calculation:* A percentage is obtained by dividing the number of minutes the system was available by the number of minutes for the period.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Objective: Manage GBP for State and Higher Education Employees**

**Outcome Measure: Percent of HealthSelect Participants Satisfied with Network Services**

*Definition:* The percentage of all members reporting satisfaction with HealthSelect's third party administrator (TPA).

*Purpose/Importance:* This measure shows the member's satisfaction with their ability to access and receive medical services in a timely and professional manner.

*Source/Collection of Data:* The TPA collects responses from a defined number of HealthSelect members during the reporting period. The TPA then provides ERS with an automated survey document.

*Method of Calculation:* The TPA conducts monthly telephone interviews of HealthSelect members each month. The data is accumulated for the calendar quarter and reported to ERS. Member satisfaction is determined by totaling Excellent, Very Good or Good responses and dividing by the number of members who answered that question. Upon the end of the fiscal year, the TPA provides ERS an annualized member satisfaction number.

*Data Limitations:* Member satisfaction level calculations are prepared by the TPA. Benefit plan changes may result in unfavorable member responses. Provider terminations may be perceived as lack of access.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target

**Strategy: Provide an Actuarially Sound Level of Funding as Defined by State Law.**

**Explanatory Measure: Number of ERS Annuitants**

*Definition:* The number of annuity warrants issued to retirees and their beneficiaries from the ERS Fund 0955.

*Purpose/Importance:* This measure shows the demand for the agency's services to administer comprehensive and actuarially sound retirement programs and to provide an actuarially sound level of retirement funding as defined by state law.

*Source/Collection of Data:* Report from the annuity payroll system.

*Method of Calculation:* An automated monthly report from annuity payroll determines the total number of warrants issued from the ERS Fund 0955.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than Target

**Output Measure: Number of ERS Retirees Added to Annuity Payroll**

*Definition:* The number of ERS retirees added to annuity payroll from the ERS Fund 0955.

*Purpose/Importance:* This measure is intended to show the demand for the agency's services to administer comprehensive and actuarially sound retirement programs and to provide an actuarially sound level of retirement funding as defined by state law.

*Source/Collection of Data:* Annuity payroll data.

*Method of Calculation:* An automated monthly report from the annuity payroll system totals the number of annuitants added to the payroll from the ERS Fund 0955.

*Data Limitations:* None.

*Calculation Type:* Cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Output Measure: Number of ERS Accounts Maintained**

*Definition:* The number of ERS accounts maintained by agency staff from the ERS Fund 0955.

*Purpose/Importance:* This measure is intended to show the demand for the agency's services to administer comprehensive and actuarially sound retirement programs and to provide an actuarially sound level of retirement funding as defined by state law.

*Source/Collection of Data:* ERS member files.

*Method of Calculation:* The automated reports total the number of contributing and non-contributing accounts from the ERS Fund 0955.

*Data Limitations:* No.

*Calculation Type:* Non-cumulative.

*New Measure:* No

*Desired Performance:* Higher than target.

**Strategy: Maintain a Retirement Program for Law Enforcement and Certain Texas Department of Criminal Justice Employees ( LECOS ).**

**Explanatory Measure: Number of LECOS Annuitants**

*Definition:* The number of retirees and their beneficiaries receiving benefits from the LECOS Supplemental Fund 0977.

*Purpose/Importance:* This measure is intended to show the demand for the agency's services to maintain a retirement program for law enforcement and certain TDCJ-ID employees (LECOS).

*Source/Collection of Data:* Report from the payroll system.

*Method of Calculation:* An automated monthly report from annuity payroll determines the total number of payments issued from the LECOS Supplemental Fund 0977.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Output Measure: Number of LECOS Retirees Added to Annuity Payroll**

*Definition:* The number of LECOS retirees added to annuity payroll from the LECOS Supplemental Fund 0977.

*Purpose/Importance:* This measure is intended to show the demand for the agency's services to maintain a retirement program for law enforcement and certain TDCJ-ID employees (LECOS).

*Source/Collection of Data:* Annuity payroll data.

*Method of Calculation:* An automated monthly report from the annuity payroll system totals the number of LECOS annuitants added to the payroll from the LECOS Supplemental Fund 0977.

*Data Limitations:* None.

*Calculation Type:* Cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Output Measure: Number of LECOS Accounts Maintained**

*Definition:* The number of Law Enforcement accounts maintained by agency staff from the LECOS Supplemental Fund 0977.

*Purpose/Importance:* This measure shows the demand for the agency's services to maintain a retirement program for law enforcement and certain TDCJ-ID employees (LECOS).

*Source/Collection of Data:* LECOS member files.

*Method of Calculation:* Automated reports total the number of CPO certified and previously CPO certified inactive accounts from the LECOS Supplemental Fund 0977.

*Data Limitations:* The change in the number of law enforcement employees, the turnover rate, and the number of members leaving their account with ERS are beyond agency control.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Strategy: Maintain an Actuarially Sound Retirement Program for State Judicial Officers (JRS-2 Fund).**

**Explanatory Measure: Number of JRS-2 Annuitants**

*Definition:* The number of annuity payments issued to retirees and their beneficiaries from the Judicial Retirement System Plan 2 Fund 0993.

*Purpose/Importance:* This measure is intended to show the demand for the agency's services to provide for the payment of JRS-2 benefits and membership refunds as required by law.

*Source/Collection of Data:* Report from the annuity payroll systems.

*Method of Calculation:* The total number of warrants is computed from annuity payroll records from the JRS-2 Fund 0993.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Output Measure: Number of JRS-2 Retirees Added to Annuity Payroll**

*Definition:* The number of Judicial Retirement System Plan 2 retirees added to annuity payroll from the JRS-2 Fund 0993.

*Purpose/Importance:* This measure is intended to show the demand for the agency's services to provide for the payment of JRS-2 benefits and membership refunds as required by law.

*Source/Collection of Data:* Annuity payroll data.

*Method of Calculation:* The number is calculated from payroll records from the JRS-2 Fund 0993.

*Data Limitations:* None.

*Calculation Type:* Cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.



**Output Measure: Number of JRS-2 Accounts Maintained**

*Definition:* The number of Judicial Retirement System Plan 2 accounts maintained from the JRS-2 Fund 0993.

*Purpose/Importance:* This measure shows the demand for the agency's services to provide for the payment of JRS-2 benefits and membership refunds as required by law by totaling the number of accounts belonging to contributing and non-contributing members.

*Source/Collection of Data:* JRS-2 member files.

*Method of Calculation:* The automated reports total the number of contributing and non-contributing accounts from the JRS-2 Fund 0993.

*Data Limitations:* The growth in state employees, the turnover rate, and the number of members leaving their account with ERS are beyond agency control.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Strategy: Provide for the Payment of JRS-1 Benefits as Required by Law.**

**Explanatory Measure: Number of JRS-1 Annuitants**

*Definition:* The number of annuity payments issued to retirees and their beneficiaries from the Judicial Retirement System Plan 1.

*Purpose/Importance:* This measure shows the demand for the agency's services to provide for the payment of JRS-1 benefits and membership refunds as required by law.

*Source/Collection of Data:* Report from the annuity payroll system.

*Method of Calculation:* The total number of JRS-1 Fund warrants issued is computed from annuity payroll records.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Output Measure: Number of JRS-1 Retirees Added to Annuity Payroll**

*Definition:* The number of Judicial Retirement System Plan 1 retirees added to annuity payroll.

*Purpose/Importance:* This measure is intended to show the demand for the agency's services to provide for the payment of JRS-1 benefits and membership refunds as required by law.

*Source/Collection of Data:* Annuity payroll data.

*Method of Calculation:* An automated report from the annuity payroll system total the number of annuitants added to the payroll from the JRS-1 Fund.

*Data Limitations:* None.

*Calculation Type:* Cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Output Measure: Number of JRS-1 Accounts Maintained**

*Definition:* The number of Judicial Retirement System Plan 1 accounts maintained from the JRS-1 Fund.

*Purpose/Importance:* This measure shows the demand for the agency's services to provide for the payment of JRS-1 benefits and membership refunds as required by law by totaling the number of member accounts belonging to contributing and non-contributing members.

*Source/Collection of Data:* JRS-1 member files.

*Method of Calculation:* The automated reports total the number of contributing and non-contributing accounts from the JRS-1 Fund.

*Data Limitations:* The growth in state employees, the turnover rate, and the number of members leaving their account with ERS are beyond agency control.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Strategy: Provide the Payment of Death Benefits to Beneficiaries of Public Safety Workers**

**Output Measure: Number of Death Benefit Claims Processed**

*Definition:* The number of death benefit claims processed by agency staff to beneficiaries of certain law enforcement officers, firefighters, and emergency technicians killed in the line of duty as required by Chapter 615, Government Code.

*Purpose/Importance:* This measure shows the demand for the agency's services to determine eligibility and provide for the payment of benefits to beneficiaries of certain law enforcement officers, firefighters, and emergency technicians killed in the line of duty as required by Chapter 615, Government Code.

*Source/Collection of Data:* This data is obtained from an automated report from the ERS OnLine Annuity Payroll system.

*Method of Calculation:* For each month in the fiscal year, total the number of beneficiaries who received a lump sum payment. Using the Payroll Total column, add the payroll amount numbers in the following categories for a total for Chapter 615:

- Lump Sum Surviving Spouse, Beneficiaries
- Violent Crimes Lump Sum, Beneficiaries

Add each total per month for all 12 months to get the number of Death Benefit Claims processed added for the fiscal year, then divide the total dollar amount paid by 250,000 which will leave the number of claims processed.

*Data Limitations:* None.

*Calculation Type:* Cumulative.

*New Measure:* No.

*Desired Performance:* Lower than target.

**Output Measure: Number of Beneficiaries Receiving Benefits**

*Definition:* The number of beneficiaries receiving payments as a result of a qualifying death of certain law enforcement officers, firefighters, and emergency technicians killed in the line of duty as required by Chapter 615, Government Code.

*Purpose/Importance:* This measure shows the demand for the agency's services to determine eligibility and provide for the payment of benefits to beneficiaries of certain law enforcement officers, firefighters, and emergency technicians killed in the line of duty as required by Chapter 615, Government Code.

*Source/Collection of Data:* This data is obtained from an automated report from the ERS OnLine Annuity Payroll system.

*Method of Calculation:* Using the report for the month of August in the fiscal year being reported, identify the total number of beneficiaries who received a payment. Add the numbers in the following categories:

- Surviving Child Payments - Beneficiaries
- Surviving Spouse Annuity – Beneficiaries

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Lower than Target.

**Strategy: Provide Lump-sum Retiree Death Benefits.**

**Efficiency Measure: Average Number of Days to Process Retiree Death Benefits**

*Definition:* The average number of days elapsed from the date a claim for retiree death benefits under Section 814.501, Government code is filed, to the date the request for death benefits is sent to the Comptroller.

*Purpose/Importance:* This measure shows the efficiency of the agency's efforts to provide ERS retiree death benefits under Section 814 Subchapter F, Government Code.

*Source/Collection of Data:* This data is obtained from an automated report that is created from the ERS OnLine annuity Payroll system.

*Method of Calculation:* Average Number of Days is calculated by the Total Number of Days divided by Total Number of Payments.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Lower than target

**Output Measure: Number of Retiree Death Benefits Paid**

*Definition:* The number of retiree death benefits paid under Section 814.501, Government Code.

*Purpose/Importance:* This measure shows the demand for the agency's services to determine eligibility and provide a lump-sum retiree death benefits under Section 814.501, Government Code.

*Source/Collection of Data:* This data is obtained from a report (AN143) that is created from the ERS OnLine Payroll system.

*Method of Calculation:* Add the "Number of Payees" for the "5,000 Death – Beneficiary" for all 12 months to get the number of retiree death benefits paid for the fiscal year.

*Data Limitations:* None.

*Calculation Type:* Cumulative.

*New Measure:* No.

*Desired Performance:* Lower than target.

**Strategy: Provide General Benefits Program to State Employees, Retirees and their Dependents**

**Efficiency Measure: Percent of Medical Claims Processed within Thirty Days**

*Definition:* The percentage of all medical claims received by the claims administrator that are processed within 30 days.

*Purpose/Importance:* This measure shows the efficiency of the agency's efforts to manage a comprehensive, quality health program for general state and higher education employees.

*Source/Collection of Data:* Report from the third party administrator.

*Method of Calculation:* The number of claims processed within 30 days is divided by the total of all claims received to arrive at a percentage.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Efficiency Measure: Percent of All Electronic Pharmacy Claims Paid within 21 Days**

*Definition:* The percentage of all electronic pharmacy claims received by the claims administrator that are paid within 21 days.

*Purpose/Importance:* This measure shows the efficiency of the pharmacy benefit manager in processing pharmacy claims for members in a timely manner.

*Source/Collection of Data:* Report from the pharmacy benefit manager.

*Method of Calculation:* The number of claims paid within 21 days is divided by the total of all electronic claims received to arrive at a percentage.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than Target.

**Efficiency Measure: Provide Basic Insurance Program to General State Employees. Estimated**

*Definition:* The total cost per HealthSelect member paid to the medical claims administrator for administration and claims processing.

*Purpose/Importance:* This measure shows the efficiency of the agency's efforts to manage the group insurance program for general state and higher education employees so that the annual percent change in ERS managed care network monthly premiums is reasonable.

*Source/Collection of Data:* Contract with claims administrator.

*Method of Calculation:* The rate is part of the contract with the claims administrator.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Lower than target.

**Efficiency Measure: Total Cost Paid Per HealthSelect Member for Pharmacy Administration and Claims Processing**

*Definition:* The total cost per HealthSelect member paid to the pharmacy claims administrator for administration and claims processing.

*Purpose/Importance:* This measure shows the efficiency of the agency's efforts to manage the group insurance program for general state and higher education employees.

*Source/Collection of Data:* Contract with claims administrator.

*Method of Calculation:* The rate is part of the contract with the claims administrator.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Lower than target.

**Explanatory Measure: Number of Employees, Retirees, and Dependents Covered by GBP Health Care Plans**

*Definition:* The number of participants in the Texas Employees Group Benefits Program (GBP) who are enrolled in HealthSelect or Health Maintenance Organizations (HMOs).

*Purpose/Importance:* This measure shows the demand for the agency's services to provide employees, retirees and dependents with a comprehensive, quality health program.

*Source/Collection of Data:* Benefits administration system.

*Method of Calculation:* The number of state and higher education employees, retirees and dependents covered by HealthSelect and HMOs, including nominees, COBRA participants and other direct pay in each of 12 months is totaled, then divided by 12.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Explanatory Measure: Percent of Participants in HMOs**

*Definition:* The percentage of all participants in the Texas Employees Group Benefits Program (GBP) who are members of Health Maintenance Organizations (HMOs).

*Purpose/Importance:* This measure shows the demand for the agency's services to provide employees, retirees and dependents with a comprehensive, quality health program.

*Source/Collection of Data:* Benefits administration system.

*Method of Calculation:* A percentage is computed by dividing the number of GBP participants enrolled in HMOs by the total of all GBP participants.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.



**Output Measure: In-Network Services as a Percentage of Total Services**

*Definition:* The percentage of paid claims for use of facilities or providers in the HealthSelect network.

*Purpose/Importance:* This measure shows the impact of the agency's efforts to provide a basic health care program for general state and higher education employees. A high percentage of network utilization shows that the HealthSelect provider network generally meets the needs of participants.

*Source/Collection of Data:* This data is obtained from the HealthSelect Third Party Administrator (TPA).

*Method of Calculation:* The total number of paid in-network claims (facility and provider) is divided by the total number of all paid claims (facility and provider) to arrive at a percentage.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Higher than target.

**Output Measure: Mental Health/Substance Abuse Costs as Percentage of Total HealthSelect Costs**

*Definition:* The percentage of all HealthSelect costs which are attributable to treatment for mental health or substance abuse.

*Purpose/Importance:* This measure shows the efficiency of the agency's efforts to manage a comprehensive, quality health program for general state and higher education employees and to enable the agency to monitor health care cost trends.

*Source/Collection of Data:* Report from third party administrator.

*Method of Calculation:* The total dollar amount of health care claims submitted to the HealthSelect claims administrator for mental health care and substance abuse treatment are divided by the total claims submitted to the HealthSelect claims administrator to arrive at a percentage.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Lower than target.

**Output Measure: Prescription Drug Program Costs as Percent of Total HealthSelect Costs**

*Definition:* The percentage of all HealthSelect costs which are attributable to prescription drugs.

*Purpose/Importance:* This measure shows the efficiency of the agency's efforts to manage a comprehensive, quality health program for general state and higher education employees and to enable the agency to monitor health care cost trends.

*Source/Collection of Data:* Report from third party administrator.

*Method of Calculation:* The total dollar amount of prescription drug claims submitted to the HealthSelect claims administrator are divided by the total claims submitted to the HealthSelect claims administrator to arrive at a percentage.

*Data Limitations:* None.

*Calculation Type:* Non-cumulative.

*New Measure:* No.

*Desired Performance:* Lower than target.

## APPENDIX E: WORKFORCE PLAN

### I. CURRENT WORKFORCE PROFILE (SUPPLY ANALYSIS)

#### **A. Critical Workforce Skills**

There are several critical skills that are important to ERS' ability to operate. Without these skills, ERS could not provide basic benefit and retirement services. The skills are listed below:

- Ability to interpret legislation
- Ability to communicate detailed information
- Ability to write guidelines and procedures for a targeted audience
- Ability to use automated benefit systems
- Ability to transition business processes from manual systems to web-based investment systems
- Ability to develop long-term and short-term goals for the investment program
- Ability to manage alternative asset classes
- Risk management skills
- Quality assurance skills
- Ability to effectively and efficiently manage projects
- Ability to identify and implement strategic technology and business responses to address issues and opportunities
- Ability to develop and monitor complex contract plans, and
- Ability to think critically

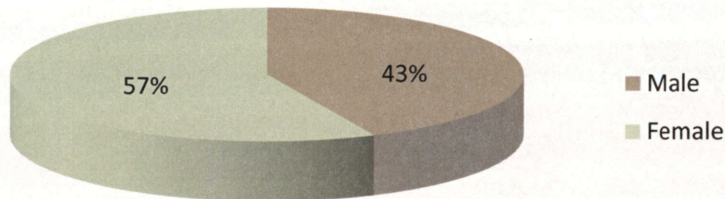
In addition, ERS needs highly skilled and knowledgeable Investments staff to administer comprehensive and actuarially sound retirement programs.

#### **B. Workforce Demographics**

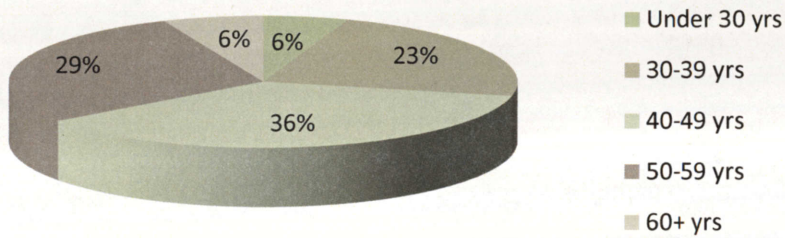
As of May 31, 2012, the Employees Retirement System had 313 employees, including part-time and full-time staff, to carry out the mission of the agency. ERS enhances the lives of our participants through the delivery of quality benefits at a reasonable cost. The following pie charts illustrate the demographic make-up of ERS' workforce.

**Workforce Breakdown**

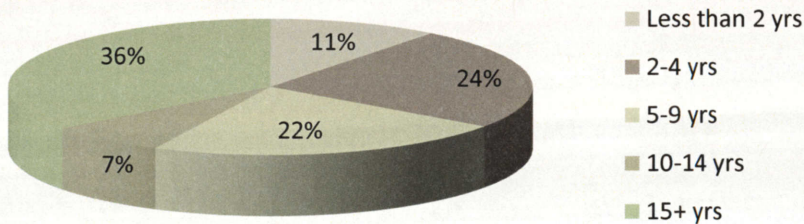
**Gender** - ERS' workforce is 43 percent male and 57 percent female.



**Age** - More than 71 percent of the agency's employees are over the age of 40.



**Agency Tenure** - Over 65 percent of ERS' workforce has five years or more of state service.



**Agency Minority Workforce**

The following table compares the percentage of minority workers at ERS as of May 31, 2012 to the statewide civilian workforce.

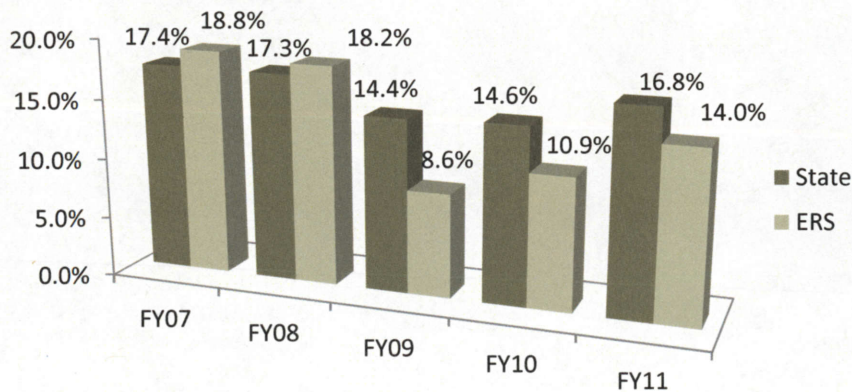
Job Category	African-American		Hispanic		Females	
	ERS %	State %	ERS %	State %	ERS %	State %
Officials, Administration	0	4	20	10	53	30
Professional	4	9	13	9	47	46
Technical	9	13	9	16	45	40
Para-professional	14	23	15	29	84	56
Administrative Support	14	19	41	22	79	81
Skilled Craft	0	10	100	24	0	17
Service and Maintenance	0	29	50	36	0	21

Source Document for State percentage: Civilian Workforce Comparison Chart, EEOC National Employment Summary EEO-4 2001 and EEO-1 2002

There are five categories of zero-represented classes within ERS. These are African-American: Officials/Administration, Skilled Craft, and Service and Maintenance; and Female: Skilled Craft and Service and Maintenance. ERS only employs nine staff in Operation and Maintenance Services, which explains the under-representation in the Skilled Craft and Service and Maintenance categories.

**Employee Turnover**

The following graph compares the average ERS turnover to that of the State for Fiscal Years 2007 through 2011. During this time-period, ERS' turnover rate was below the statewide turnover rate except in Fiscal Year 2007-2008, when ERS experienced some departmental reorganization that resulted in a limited reduction in force.



As of May 31, 2012, the agency turnover rate was 10 percent. Annualizing this figure gives ERS a projected turnover rate for Fiscal Year 2012 of 12.5 percent.

**Turnover by Length of Service**

<b>Length of State Service</b>	<b>ERS Turnover % FY 2011</b>	<b>State Turnover % FY 2011</b>
Less than 2 years	1.6	38.2
2 to 4.99 years	4.2	18.3
5 to 9.99 years	2.9	11.0
10 to 14.99 years	2.2	8.9
15 years and over	3.2	11.4
Overall Turnover	14	16.8

The highest percentage of turnover for state employees continues to be for those who have less than two years of service. The turnover rate for ERS employees who leave with less than two years of service is significantly lower than the state's percentage. ERS' highest percentage rate is within the 2 to 4.99 years category. ERS makes every effort to minimize turnover in this category by cross-training employees for career ladder opportunities and by using competitive salaries. The higher rate of turnover for ERS employees with 15 years or more of service is primarily due to retirements.

**Turnover by Age**

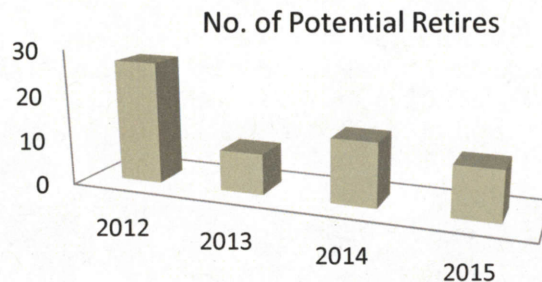
Turnover by age reflects the make-up of the agency workforce. Below is a chart showing the percentage of turnover by age.

<b>Age</b>	<b>ERS Turnover % FY 2011</b>	<b>State Turnover % FY 2011</b>
Under 30 years	0.3	32.5
30 to 39 years	3.2	16.0
40 to 49 years	5.1	10.0
50 to 59 years	4.2	13.1
60 years and over	1.3	23.3
Overall Turnover	14	16.8

During Fiscal Year 2011, employees in the 30 and 60 years and over age groups experienced the lowest level of turnover at ERS, and experienced the greatest turnover in the 40-49 and 50-59 years age group.

### Turnover from Potential Retirements

Based on limited data available, the agency projects that during the next three fiscal years, approximately 19 percent of ERS' workforce will be eligible to retire, taking with them institutional knowledge and expertise. ERS continues to prepare for the retirement of employees in key positions through succession planning, cross training, and employee development.



### III. FUTURE WORKFORCE PROFILE (DEMAND ANALYSIS)

ERS is in the middle of a three-year period of designing and implementing systems to meet the challenges of five vision elements. The vision elements include:

- Engaging members
- Having dynamic internal and external collaboration
- Providing competitive sustainable benefits
- Having innovative solutions
- Demonstrating a model work environment

#### **A. Critical Functions**

ERS needs a workforce who can accomplish the following strategic directions:

- Supporting retirement security
- Sustaining competitive group benefits programs
- Engage stakeholders for informed decision making
- Enhance agency performance and accountability

#### **B. Workforce Opportunities**

Supervisors at ERS must have an ability to examine and improve business processes, and to lead their team through transitions of new and very complex systems, as well as effectively communicate the new processes to agency staff. Staff in the Investments Division must be experienced in various investment asset classes.

**C. Critical Functions Required in Achieving the Strategic Plan**

The strategic directions identified under the critical functions subheading will continue to be necessary and important over the next several years. ERS customers continue to demand more, faster, and easier access to their benefit information, more innovative products, and reasonable costs for services and products. ERS will continue to offer and deliver services that are very complex. As a result, the skills to deliver the complex services will have to be acquired or developed by the agency workforce.

Leverage skills and talents of ERS staff through employee and organization development is critical to the success of the agency. ERS must have a well-trained, highly skilled and flexible workforce to respond to the needs of both our customers and program changes resulting from federal and state legislation. Employees must continue to receive cross-training, formal training and re-training to maintain their employment with ERS.

**D. Future Workforce Skills Needed**

ERS relies on a competent and knowledgeable workforce. The following skills and abilities are essential for ERS' workforce to attain the six vision elements:

- Leadership, management and supervision skills
- Ability to effectively communicate with internal and external customers
- Investment skills
- Ability to develop long-term and short-term goals for the investment program
- Ability to manage alternative asset classes, private real estate, private equity, and hedge funds
- Project management skills
- Web-based technology skills
- Contract management skills
- Change management skills
- Process analysis
- Strategic planning, and
- Risk management skills



## APPENDIX F: SURVEY OF EMPLOYEE ENGAGEMENT RESULTS & UTILIZATION PLANS

ERS has participated in the Survey of Employee Engagement (SEE) since the 1994 survey. The survey is used as a means of assessing employee attitudes toward the agency, identifying employee perceptions of the strengths and weaknesses of the agency, and identifying areas that could be improved.

### SURVEY RESULTS AND ANALYSIS

#### Response Rate

ERS' employee response to the SEE was exceptional. As a general rule, rates higher than 50 percent suggest soundness. High response rates suggest employees have an investment in the organization, want to see the organization improve, have a sense of responsibility to the organization and have a high expectation from the leadership to act on the survey results.

- 2012 = 91%
- 2010 = 91%
- 2008 = 68%
- 2006 = 84%
- 2004 = 79%
- 2002 = 61%

#### Overall Survey Score

This score is a broad indicator for overall comparison with other entities. It is composed of the average of all survey items and represents the overall score for the organization. Scores typically range from 325 to 375.

ERS' overall survey score for ERS was 387.

#### Construct Scores

The survey is organized into 14 categories, or concepts most utilized by leadership and those which drive organizational performance and engagement. Scores are measured as follows:

Above 375 = areas of substantial strength **(12 ERS scores)**

Between 350 - 375 = perceived more positively than negatively **(1 ERS score)**

Between 325 - 349 = viewed less positively by employees **(No ERS score)**

Below 325 = significant source of concern and requires immediate attention **(1 ERS score)**

**The constructs and score results were:**

- Physical Environment - perception of work setting, degree to which employees believe a safe and pleasant working environment exists. (Score: 422)
- Strategic - how the organization responds to external influence, which play a role in defining the mission, services and products provided by the organization. (Score: 409)
- External Communication – how information flows out to the organization. (Score: 408)
- Benefits – role that the employment benefit package plays in attracting and retaining employees. (Score: 400)
- Supervision – perceived supervisory relationships within the organization including leadership, communication of expectations, and sense of fairness. (Score: 399)
- Team – perceptions of effectiveness of their work group and the extent to which the organizational environment supports appropriate teamwork among employees. (Score: 397)
- Quality – degree to which quality principles, such as customer service and continuous improvement, are a part of the organizational culture. (Score: 397)
- Employee Engagement – sense of trust, level of employees’ participation in carrying out their work responsibilities towards delivering high quality work. (Score: 396)
- Employee Development – perceptions of priority given to employee career and personal development. (Score: 396)
- Job Satisfaction – satisfaction with overall work situation; weighs heavily on work-life balance, sense of pride, and offering meaningful contributions to the workplace. (Score: 386)
- Information Systems – whether computer and communication systems enhances the ability to get the job done by providing accessible, accurate, and clear information. (Score: 382)
- Diversity – extent to which employees feel that individual differences, including ethnicity, age and lifestyle, may result in alienation and/or missed opportunities for learning or advancement. (Score: 380)
- Internal Communication – communication exchanges within the organization; extent to which employees view information exchanges as open, honest, and productive. (Score: 358)
- Pay – evaluation from the employees’ viewpoint of the competitiveness of the total compensation package, how well the package “holds up” when employees compare it to similar jobs in their own communities. (Score: 271)

**Climate Analysis**

Another way to view and analyze the survey data is the climate analysis. The climate in which employees work does, to a large extent, determine the efficiency and effectiveness of an organization. The appropriate climate is a combination of a safe, non-harassing environment with ethical abiding employees who treat each other with fairness and respect. It is an organization with proactive management that communicates and has the capability to make thoughtful decisions.

- Atmosphere – free of harassment in order to establish a community of reciprocity.  
(Score: 405 – substantial strength)
- Ethics – foundation of building trust within an organization where not only are employees ethical in their behavior, but that ethical violations are appropriately handled.  
(Score: 409 – substantial strength)
- Fairness – extent to which employees believe that equal and fair opportunity exists for all members of the organization.  
(Score: 365 – perceived more positively than negatively)
- Feedback – essential element of organizational learning by providing the necessary data in which improvement can occur.  
(Score: 359 – perceived more positively than negatively)
- Management – climate presented by management as being accessible, visible, and an effective communicator of information is a basic tenant of successful leadership.  
(Score: 382 – perceived more positively than negatively)

## PLANS FOR CONTINUED IMPROVEMENT

Survey results are made available to all employees via the agency's Intranet to continue the process of improving internal communications. The agency is committed to researching and/or improving any areas that employees perceive areas of concern.

## CONCLUSION

ERS management considers the agency's participation in the survey as a valuable tool for improving agency operations. ERS will participate in future surveys with a goal to increase participation and improve key indicators related to employee morale. Comparison of future results with these goals, as well as with the benchmarks, will enable ERS to further define methods for addressing the needs of the agency and its employees.





