

Strategic Plan

Fiscal Years 2015-2019

JULY 2014



AGENCY STRATEGIC PLAN
FOR THE FISCAL YEARS 2015 - 2019
BY
EMPLOYEES RETIREMENT SYSTEM OF TEXAS

BOARD MEMBER	DATES OF TERM	HOMETOWN
Brian D. Ragland - Chair Elected	09/01/2011 to 08/31/2017	Austin
Frederick E. "Shad" Rowe – Vice Chair Appointed by the Speaker of the House	11/28/2011 to 08/31/2014	Dallas
Yolanda Griego Elected	09/01/2009 to 08/31/2015	EI Paso
Craig Hester Appointed by the Chief Justice of the Supreme Court of Texas	11/01/2005 to 08/31/2016	Austin
Cydney C. Donnell Appointed by the Governor of Texas	06/20/2007 to 08/31/2018	Bryan
Cheryl MacBride Elected	10/19/2009 to 08/31/2019	Austin



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 strong family environments 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 and programs 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 and well-being 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, 2013, members and beneficiaries of each retirement plan included:

Employees Retirement Program

Active contributing members	133,669
Non-contributing members	96,015
Total retirement accounts	229,684
Annuitants	91,367

Law Enforcement and Custodial Officer Supplemental Retirement Program

Active contributing members	37,415
Non-contributing members	10,187
Total retirement accounts	47,602
Annuitants	9,089

Judicial Retirement System Plan One

Active contributing members	13
Non-contributing members	4
Total retirement accounts	17
Annuitants	421

Judicial Retirement System Plan Two

Active contributing members	545
Non-contributing members	152
Total retirement accounts	697
Annuitants	254

As of August 31, 2013, the participants and beneficiaries of the GBP ERS administers include the following:

Group Benefits Program

Active employees	226,181
Retirees and surviving spouses	135,884
Dependents	171,023
COBRA participants	1,674
Total	534,762

ISSUES

Adequate funding of the ERS fund continues to be a challenge. The ERS fund is out of balance. It has only 77 cents for every dollar needed to pay benefits. The ERS actuarial valuation results as of August 31, 2013 determined that what the trust fund owes, the actuarial accrued liability, is \$31.9 billion. What the trust fund owns, the actuarial value of the assets, is \$24.7 billion. The difference between what is owed and what is owned, the unfunded accrued liability, is \$7.2 billion. Fiscal year 2015 projections reduce the funded ratio to 74 cents per dollar, increasing the liability to \$8.8 billion.

The primary reasons the ERS fund is not properly funded are:

- lower contributions than what is needed for current and promised benefits,
- investment losses during the Great Recession of 2008 and 2009,
- retirement incentives, and
- longer lifespans.

Contributions from the employees, the state, and from unexpended ERS appropriations, are insufficient to close the funding gap.

The plan already has an unfunded liability of \$7.2 billion. This amount will increase every year that the plan does not receive full contributions. There is a cost of waiting. The liability will increase another \$2.4 billion by 2018.

New federal standards will highlight the state's unsound retirement funding. The Governmental Accounting Standards Board (GASB) has set a new calculation method for reporting and accounting for pension liabilities. This figure will go on the state's financial report for fiscal year 2015. The Net Pension Liability is expected to be twice as much as the unfunded actuarial assumed liability currently reported. The ERS retirement program liabilities cannot be paid off with current contribution rates, known as an infinite amortization period. High reported liabilities could affect the Texas bond/financial ratings.

GASB changes only impact accounting and reporting requirements, not funding calculations. The new pension liability for accounting purposes will be reported by ERS this year, fiscal year 2014, and reflected on the State of Texas balance sheet in fiscal year 2015. For reporting purposes, the unfunded liability was \$7.2 billion on August 31, 2013. It is projected to be \$8.8 billion as of August 31, 2015. For accounting purposes a lower return assumption must be used for the unfunded portion of the pension liability. The lower return assumption and other stricter requirements for the accounting calculation could almost double the unfunded liability versus the funding calculation. The new GASB 67 calculations will show the state retirement plan with a different asset value that results in a lower value reflected (actuarial versus market value), a higher unfunded liability, and a lower funded ratio.

Important steps have already been taken to address the funding issue, including increased contributions for the state and employees, differing retirement benefits for employees hired after August 31, 2009 and August 31, 2013, adjusted eligibility for insurance contributions at retirement, and revised return-to-work provisions.

Benefit changes lowered costs, but didn't solve the existing funding gap. S.B. 1459 lowered the annual cost of benefits being earned by new active employees. S.B. 1 increased the state and employee contributions and added a new employer (agency) contribution. The result was the funding gap lowered from 5.25% to 4.13% of payroll.

ERS' Investment Division manages the trust funds. At the end of fiscal year 2013 the trust fund balance was \$24 billion. Investment earnings make up nearly two-thirds of long-term trust fund revenue. The portfolios are managed by professional ERS investment staff, with guidance from the Investment Advisory Committee and oversight of the ERS Board of Trustees. About 70% of the funds are internally managed, which lowers investment expenses, and about 30% of ERS investments are in companies with Texas headquarters or more than 200 Texas workers.

Options to balance the fund are to increase revenue, decrease costs, or both. Revenue can be increased with higher contributions and/or investment earnings, dedicated revenue sources, or lump sum cash deposits. Costs can be decreased by making more changes to the retirement benefit and/or applying benefit changes to current employees.

Establishing an alternative retirement plan could fulfill specific workforce needs; however, it would not erase the unfunded liabilities in the existing defined benefit plan and it could cost more.

Closing the plan to new entrants eliminates new benefit accruals, but does not eliminate existing liabilities. Without new member contributions, the trust fund would deplete almost twice as fast. Alternative plan structures that do not “pool” funds with the existing trust, such as a defined contribution plan, can also accelerate fund depletion. Employer costs would include funding the new plan and making higher contributions to pay off the existing liability and eventually to pay annual benefits.

For the Texas Employees Group Benefits Program (GBP) the issues are the increases in costs. The actual medical cost trend increased 8% and the actual pharmacy cost trend increased 15%. While the projected rate increase to maintain benefits was 11%, after ERS intervention and the FY 15 legislative appropriation, the projected increase in health care spending was 9.4%. Since the appropriation was only 7%, ERS will spend down the contingency fund as needed if health care costs exceed the 7% appropriation. Health insurance rates went up for the state, and for members with dependents.

Five strategies were used to manage the cost trend with a rate increase of only 7%. These strategies were aggressive contracting, tough cost management, vigilant approach to emerging cost drivers, focus on encouraging behavior change, and low administrative overhead.

Examples of ERS cost-savings initiatives include:

- renegotiation of the Pharmacy Benefit Manager Contract,
- a new Medicare-primary retiree drug plan,
- implementation of Medicare Advantage programs with lower health care costs and premium savings for retirees with dependents,
- guaranteed administrative savings with the new third-party administrator contract, and
- better discounts from HealthSelectSM of Texas network providers.

Also, 50,000 HealthSelect participants are in ERS' award-winning patient-centered medical home (PCMH) program. PCMH practices improved care and reduced costs, saving the GBP \$31.5 million since fiscal year 2011.

The Affordable Care Act required spending will be \$123 million in fiscal year 2015, including the cost of preventive care, related fees, coverage for dependents up to age 26, and a reduced waiting period for coverage. ERS will coordinate the development and annual electronic filing of the Health Plan Reporting that is required under the Affordable Care Act effective January 1, 2015.

Another issue for the GBP is GASB's issuance of exposure drafts for GASB 43 and 45 that will impact the financial reporting of the future costs of Other Post-Employment Benefits, the GBP coverage for retirees and their dependents. OPEB costs will continue to grow, as long as they are funded on a pay-as-you-go basis.

STRENGTHS

A major strength of ERS is the continued enhancement of the ERS Investment program. Additional employees, highly specialized consultants, supporting technology, and new investment strategies have all contributed to a diversified, prudent investments program. Other strengths include our customer service focus and effective external communication that enhance our credibility with stakeholders. A culture of continuous improvement and a positive productive work environment contribute to a strong reputation and recognition of our value among agencies we serve. ERS is also nationally recognized by its peers.

The incorporation of extensive strategic planning into our administrative budget process and performance measures strongly supports the agency's ability to achieve its core mission. Progress toward key goals developed during the strategic planning process is reported quarterly to the ERS Board of Trustees. A supportive, well-qualified, and knowledgeable Board of Trustees and Investment Advisory Committee, a competent agency staff with a "can do" attitude, and a proactive business philosophy reinforce ERS' strengths and abilities. The cost-effective administration of our plans is unsurpassed in the industry.

WEAKNESSES

One of the most substantial challenges is that the retirement plan has a finite depletion date. Funding for both retirement and health care is complex and can be hard to understand. GASB reporting changes will most likely further downgrade the perception of the retirement programs. The role of ERS is not understood by members, and there is a perception that benefits are guaranteed. There is also a perception that benefits are not competitive with other plans. Increasing member demands with high service expectations and sensitivity to change are a challenge. The size, geographic spread, and varied demographics make it difficult to communicate.

Among our members, the aging workforce places a strain on benefits. There is also increased demand for mobility in the workforce.

ERS also faces an increased demand for transparency while needing to maintain the security of our members' information. The technological look and feel of system access is outdated.

Within ERS, many senior staff are eligible to retire, creating a risk that we will lose institutional knowledge. Cross-divisional communications and job cross-training were therefore identified as a priority. Limited resources combined with legislative mandates and other implementation deadlines have created a daunting workload for the agency.

OPPORTUNITIES

ERS considers its strengths in conjunction with its challenges to maximize opportunities in the strategic planning process. During this process a planning group which includes division directors and key staff members representing all divisions of the agency establish strategic directions. Each strategic direction is further expanded by the group to identify supporting objectives. Each agency division uses this plan as a guideline in developing road map items in the administrative operating budget. The four strategic directions are:

1. Supporting Retirement Security

The primary objectives for this strategic direction are to attain actuarially sound retirement plans that support the current and future workforce, provide tools and assistance to enhance retirement readiness, and administer and manage trust assets in innovative ways for a premier investment program, keeping with fiduciary responsibility. These strategies direct the activities for the defined benefit plan, the Texa\$aver program, and the investment program. The FY 15 goals for this strategic direction are:

- obtaining additional funding to achieve actuarial soundness,
- developing a sound statewide funding policy statement for ERS retirement plans,
- exploring competitive plan design options and changes that support the workforce and reduce the unfunded liability,
- designing alternative retirement plans,
- aligning retirement plan designs with employer and employee needs to attract and retain employees,
- promoting participant understanding of the big picture – how all retirement, insurance, and death benefits work together,
- enhancing investment and financial literacy,
- leveraging defined benefit investment resources to create fund options for the defined contribution plans, and
- expanding existing core competencies for innovative investment management.

The Investments Division 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 voluntary defined contribution program, Texa\$aver, the goals address improving access and expanding options for auto-enrollment and roll-overs. ERS will assess and improve communication plans, and evaluate and make recommendations regarding fund offerings in the defined contribution plan - all to assist members in better preparing for retirement.

2. Sustaining Competitive Group Benefits Programs

The key strategy for this strategic direction is to manage a group benefits program that is compliant with regulations and that offers the best value to participants. The supporting goals for this strategy are to:

- provide competitive benefits at a reasonable cost,
- align benefits with member and employer needs,
- provide members with additional choices when opportunities exist to add value,
- provide benefits consistent with, and complementary to, regulatory environment and market trends, and
- apply the accountable practice concept to more provider arrangements.

Another strategy is to encourage participants to take responsibility for better health. Goals to accomplish this include:

- aligning incentives with health risks to encourage appropriate health care use and risk sharing,
- establishing a comprehensive wellness program that complements existing initiatives, and
- increasing awareness and participation in wellness and condition management programs.

The final strategy is to enhance research and data analytics of the GBP by expanding data analysis capabilities, with the ultimate goal of providing policy makers with relevant information about the GBP for informed decision making.

3. Engaging Stakeholders for Informed Decision Making

The strategies include increasing understanding of program status among employers, employees, retirees, associations, and external stakeholders by determining what role benefits play in attracting and retaining qualified employees, educating policy makers on the impact of benefits on the workforce, and identifying and addressing competing interests and issues for informed decision making.

ERS will also encourage member participation by:

- increasing relevance and context in communications,
- using marketing concepts to clarify messaging,
- targeting program communications to specific audiences,
- building on member and industry research, and
- increasing understanding of marketplace benefits.

The final strategy is to improve outreach through the exploration of mobile applications and other technical strategies, and leveraging technology and news sources for current and additional communication channels.

4. Enhancing Agency Performance and Accountability

The objectives for this strategic direction include:

- leveraging the skills and talents of ERS staff through expanded career development,
- promoting staff engagement and accountability for development,
- recruiting and retaining staff with specialized skills,
- increasing process efficiencies and integrating and expanding the use of employee feedback and cross-divisional communications into agency internal planning and activities, and
- proactively identify and adapt to changes in the business and technical environment in anticipation of a changing workforce and workplace and appropriate planning for business and technical changes.

OBSTACLES

There are several obstacles to ERS achieving its objectives. There are competing priorities for limited resources. Return on investment is a challenge, given external economic forces that are largely beyond our control. Due to an aging population of members, the active-to-retiree ratio continues to decrease.

The financial status of the pension plans is a tremendous challenge. The current levels of contribution do not meet the requirements for an actuarially sound pension plan. GASB financial reporting changes will also have an impact on pension plan reporting. Legislative turnover and a misalignment of resources to goals contribute to the challenge.

Other obstacles include federal health care reform and uncertainty surrounding the associated policies and regulations. 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. The increasing cost of specialty drugs also presents a challenge.

Finally, there is the obstacle of the increased complexity of cybersecurity – the demand for greater access versus more security. Also, the turnover of state employees impacts the ability to provide services. There is a lack of technological ability of vendors to meet ERS requirements. There is also vulnerability in data migration moving from one environment to another.

PROGRESS TOWARD ACHIEVING OUTCOMES

ERS implemented new legislation from the 83rd Texas Legislature Session, including:

- changing the retirement account balance interest rate to be more in line with market rates,
- establishing new retirement rules for members hired on or after September 1, 2013,
- identifying members who are grandfathered and are not subject to the new contribution structure for retirement health insurance benefits,
- reducing insurance waiting period from 90 days to 60 days, and
- supporting other legislative changes through identification of relevant rules, system changes, member notifications and customer support.

In the area of investments, the goal of returns above policy benchmarks is consistently achieved. The Investments Division continued to accelerate the transition to new asset allocation targets as determined by the FY 12 asset/liability study, including reaching full allocation of absolute return portfolio (hedge funds).

ERS continued to pursue unfunded liability strategy development and conducted the legislatively required studies on separate accounting of assets and liabilities of Law Enforcement and Custodial Officer members. ERS also continued to enhance the risk management processes. Branding of ERS and the ERS investment program was furthered through conference attendance and presentations at 33 conferences.

ERS continued to promote voluntary retirement savings with the expansion and improvement of the optional \$2.1 billion Texa\$aver deferred compensation program. This has been achieved by incorporating the real asset and short-term government fund into the core fund line-up, garnering \$1.3 million in assets, and issuing a Request for Information for an international fund addition. The Roth enrollments in the Texa\$aver Program surpassed 2,700 participants with \$6.7 million in assets.

ERS also managed the transition to and relationship with the newly appointed retirement actuaries and implemented new actuarial factors. A firm was identified and contracted with to conduct an analysis of benefits administration processes. Analysis of business and system processes will drive the request for proposal supporting modernization of benefits administration.

ERS also implemented the State of Texas Dental Discount Plan with Annual Enrollment to begin September 1, 2014. The first year of the HealthSelect Medicare Rx program, an Employee Group Waiver Program (EGWP) plus Wrap offering, realized savings of \$40 million. ERS also successfully filed for \$2.46 million from the federal Retiree Drug Subsidy (RDS) program during the Plan Year 2014. A contract was also implemented to audit RDS claims to ensure that the plan gets every dollar it is due. The company, Part D Advisors, helped reopen RDS filings for fiscal years 2006 through 2011. ERS received a net of \$7 million in additional revenue.

ERS conducted the legislatively required study on modeling alternative health insurance plan design options, including a professional census of approximately 135,000 active employees and 30,000 pre-65 retirees enrolled in the GBP. ERS also transitioned to a new administrator for the disability insurance program. ERS worked with the State Wellness Director and the State Worksite Wellness Advisory Board to promote worksite wellness initiatives. ERS also awarded three contracts for dental benefits. Two requests for qualifications were issued for Texa\$aver's International Fund and the Large Cap Funds. ERS negotiated favorable contract extensions through August 31, 2017 for the Pharmacy Benefit Manager, and through August 31, 2015 for the Texa\$aver administrator, and the advisory and custodian contracts. The Dependent Eligibility Verification was developed as an ongoing process. The Business Intelligence Data Warehouse was also enhanced for increased data and reporting capabilities. Several data sets were added to enable requested business reporting. Improved system processing from multiple days to several hours enabled more timely access to the data for ERS' business partners. Fall Enrollment was established as the standard enrollment process for Medicare eligible participants. The "What's Your Excuse?" campaign for Texa\$aver's auto-enrolled participants achieved its objective of increasing retirement savings and received 12 national awards.

Legislators, staff, and other stakeholders received regular updates on the impact of retirement funding, insurance funding, and the implementation of legislation. We communicated with key legislative audiences through numerous custom presentations, handouts, testimony, briefing documents, and follow-up letters. Expertise and information were provided to the interim legislative committees, oversight agencies, the State Auditor's Office, the Legislative Budget Board and the House Research Organization. The ERS public/member website was redesigned based on a comprehensive audit begun in fiscal year 2013. The refreshed site also features enhanced vendor sub-sites. ERS developed a new program to help members understand how and when to apply for Medicare, and how the federal health program works with ERS-administered health benefits. Customer service to members was conducted through 474,000 phone calls, more than 5,000 in-person visits and 23,000 responses to emails.

The FY 13 Comprehensive Annual Financial Report was prepared and won the Government Financial Officer's Association award for the 25th consecutive year. Changes were implemented to the Texas Identification Number System (TINS) as required by the Texas Comptroller of Public Accounts. The changes were designed to improve personal information security. The SharePoint implementation rollout continued for a centralized research library and several Finance Division processes including the training request form and a collaborative workspace for administrative operating budget preparation. The Operations Support SharePoint site was redesigned as a pilot for an agency template. The agency's technical system security was strengthened.

DESIRED OUTCOMES

A review of the benefits survey results finds that ERS consistently delivers superior customer service and support with approximately 98% 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 competitive benefits at a reasonable cost.

INTERNAL ASSESSMENT

SUCCESS AT MEETING THE NEEDS OF OUR CUSTOMERS

The Benefits Communications Division enhanced multiple ERS communication efforts. The ERS Website was redesigned for the ERS public and members. The project included new graphic design and navigation to make it easier for users to find the information most often sought by site visitors. Benefit Communications also led the development of a new website content management system. Benefit Communications also provided members with communications campaigns include Medicare Preparation Education and the award-winning "What's Your Excuse?" campaign to encourage participants to increase their contributions above the 1% default. Benefits Communication also supported the implementation of a "gap" audit and ongoing verification of dependent eligibility for health insurance. As part of an effort to more consistently utilize United Healthcare's wellness resources, Benefits Communications also led the effort to launch monthly wellness webinars.

PUBLIC PERCEPTION OF THE QUALITY OF PRODUCTS AND SERVICES

The ERS customer service division handles approximately 517,000 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 satisfied 99% 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 accelerating the transition to the new asset allocation. ERS will continue to refine the mix of internally managed and externally advised portfolios in the select pool to have external management complement the cost-effective internal management and continue to develop the emerging manager program. The Investment program will continue to research and identify innovative ideas and the best practices for investment of the trust. ERS will also continue to enhance the risk management process. The Investment program will assess current and future savings received by diligent negotiation of the best economic deal terms along with emphasizing corporate governance in negotiations. ERS will continue to evaluate and improve equity, fixed income, private equity, infrastructure, real estate, and hedge fund strategies. A derivatives program will also be implemented. Investing and business processes will be refined for best practices and opportunities for efficiencies will continue to be identified and implemented. The goal is to outperform policy benchmarks to increase retirement security for members of the ERS pension plan. ERS will also work with the legislature to seek solutions to the pension fund's unfunded liability.

ERS will continue to promote and expand the deferred compensation program, through evaluation and enhancement of the Texa\$aver Program. ERS plans to expand the plan contribution options for the Texa\$aver 457 plan to allow percentage based contributions in addition to fixed dollar contributions. ERS will also evaluate and install new contracts for the Large Cap and International Funds for the Texa\$aver Program.

ERS will continue sustaining the competitive group benefits program by evaluating the effectiveness of the cost containment initiative and reporting. ERS will bid, evaluate, and install new contracts for the administration of the Flexible Spending Account beginning in FY 2016 and implementation of an optional vision care plan offering. ERS will also evaluate the financial impact of offering only a Medicare Advantage plan to eligible retirees. ERS will also coordinate the development and annual electronic filing of the Health Plan Reporting that is required under the Affordable Care Act effective January 1, 2015. ERS plans to participate on the Group Benefits Plan Wellness team to evaluate the current Group Benefits Plan condition management programs and develop a comprehensive Group Benefits Plan wellness program including:

- planning and hosting the Capitol Health Fair providing various health screenings and showcasing wellness tools and resources offered by ERS programs,
- assisting the State Agency Wellness Director in planning the annual State Agency Wellness Conference and promoting worksite wellness initiatives at state agencies,
- hiring a Wellness Director at ERS.

ERS will continue engaging stakeholders for informed decision making by supporting the legislative session and implementing legislative changes. ERS also plans to provide legislative briefings and maintain open communication with state employee and retiree associations. ERS will respond to inquiries from the House and Senate members, the Governor and Lt. Governor's office, the Speaker's office, oversight agencies and association groups. ERS will develop options presuming funding and/or benefit design changes are not obtained, and other potential legislative suggestions to improve state programs or ERS operations. ERS will manage legislative tracking and analysis by maintaining a legislative analysis work group and tracking potential legislation and work with staff to analyze operational and fiscal impact, including preparing cost estimate and actuarial impact statements. Members will be able to choose their preferred method of correspondence. ERS plans to provide accurate and accessible research and program information by updating the retirement sustainability study, the insurance sustainability study and benchmarking study, and the state employee workforce study.

ERS will enhance agency performance and accountability by evaluating and recommending modernization of our benefits administration system to include review of best business practices, selection of vendor and systems to support the demands of our customers, adding flexibility for the changing environment, and utilizing a more up-to-date platform and system. The Finance Division will coordinate actuarial valuation reports, support the external financial audit, prepare the Comprehensive Annual Financial Report, and coordinate Fiscal Notes for the legislative session.

IS will 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 turned 64 in 2010 while the trailing edge turned 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's) 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 HUB's 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.
- 03: Average monthly state contribution per SKIP enrollee.
- 04: Number of members enrolled in SKIP.
- 05: Number of children covered by SKIP.

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.

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 Secure File Transfer Protocol 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, and 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 into 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 1 - 4 2 - 2 3 - 1 3 - 2 4 - 1 4 - 4 5 - 1	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 and reports to the Board of Trustees quarterly on progress toward accomplishing goals. 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, 2014 through May of 2014 to reassess its mission, philosophy, strategic directions, objectives and goals. ERS Executive staff facilitated and led the progression of planning sessions. The Executive team, Division Directors and a selected group representing all functional areas of ERS updated the strategic plan.

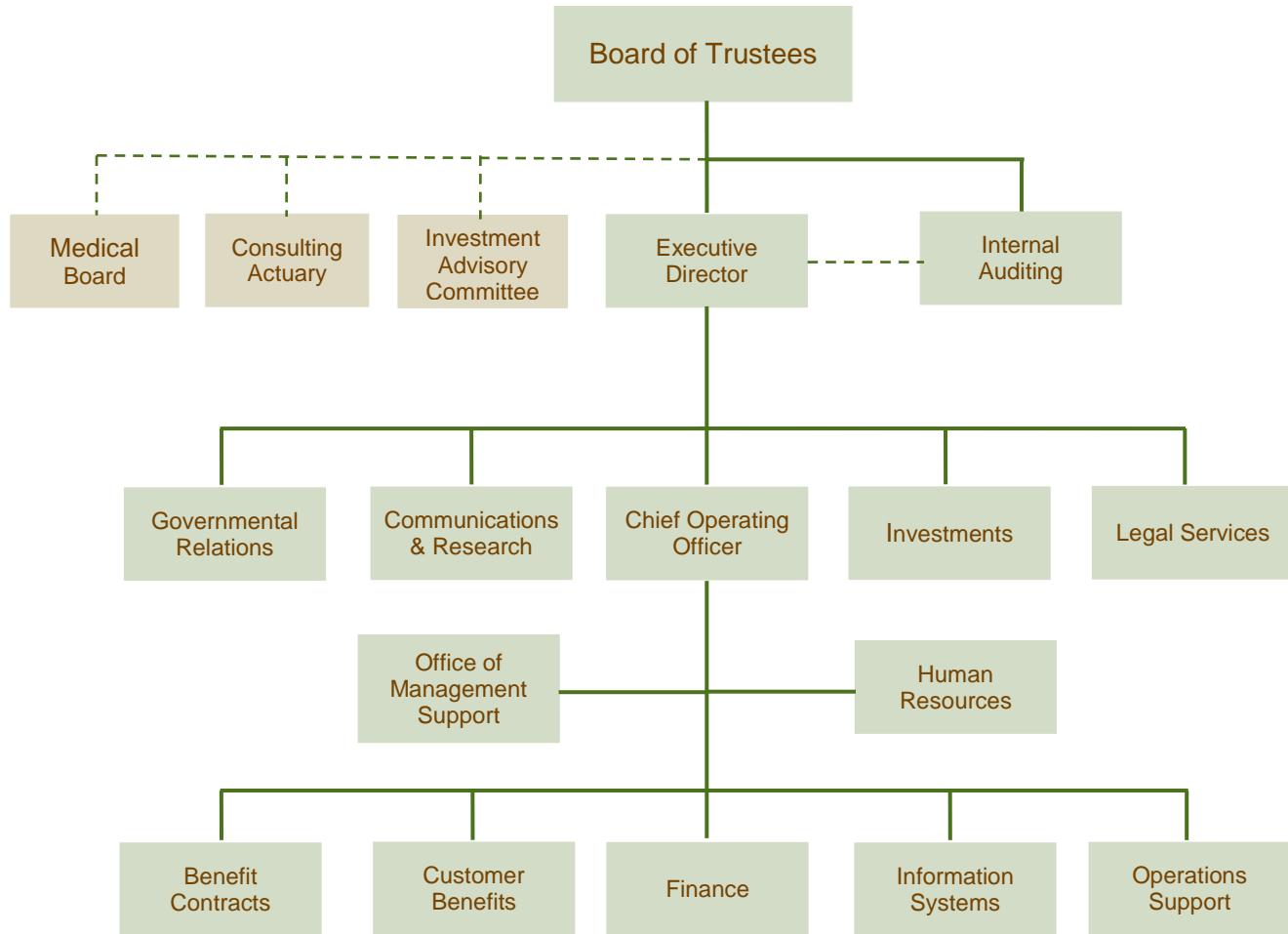
This inclusive approach was engaging, highly participatory and resulted in the definition of ERS objectives and goals for FY 2015 – FY 2017.

Progress on accomplishing the strategic direction updated for FY 2015 – FY 2017 will continue to be reported to the Board of Trustees on a quarterly basis. The administrative operating budget is developed annually in support of the strategic directions with specific roadmap items defined to achieve those goals and objectives.



APPENDIX B: ORGANIZATION CHART

As of July 2014





APPENDIX C: FIVE-YEAR PROJECTIONS FOR OUTCOMES

GOAL 1	FY2015	FY2016	FY2017	FY2018	FY2019
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)	8.00%	8.00%	8.00%	8.00%	8.00%
Outcome 6 ERS expenses per active and retired member	\$60.00	\$61.00	\$62.00	\$63.00	\$64.00
Outcome 7 Investment expense as basis points of net assets	17.00	17.00	18.00	18.00	19.00
Outcome 8 Percentage of Time the ERS On-line System is Available to Customers	95%	95%	95%	95%	95%
Goal 2	FY2015	FY2016	FY2017	FY2018	FY2019
Outcome 1 Percent of managed care network participants rating ERS insurance services as satisfactory or better	80%	80%	80%	80%	80%
Goal 3	FY2015	FY2016	FY2017	FY2018	FY2019
Outcome 1 Percent of total dollar value of purchasing and public works contracts and subcontracts awards to HUBs excluding investment counseling services	16%	16%	16%	16%	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 Measures: Percentage of ERS Retirees Expressing Satisfaction with Member Benefit Services
<p><i>Definition:</i> The number of retirees in the Employees Retirement System (ERS) satisfied with benefit services offered by the agency.</p>
<p><i>Purpose:</i> This measure is intended to reflect the success of the agency's effort to administer comprehensive and actuarially sound retirement programs.</p>
<p><i>Data Source:</i> 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.</p>
<p><i>Methodology:</i> The total number of retirees expressing satisfaction is divided by the total number of retirees responding to the survey to arrive at a percentage.</p>
<p><i>Data Limitations:</i> The measure depends on adequate numbers of responses from survey participants.</p>
<p><i>Calculation Type:</i> Non-cumulative.</p>
<p><i>New Measure:</i> No.</p>
<p><i>Desired Performance:</i> Higher than target.</p>

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

- Definition:** Number of years required to amortize any unfunded liability of the Employees Retirement System (ERS).
- Purpose:** 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.
- Data Source:** Actuarial Valuation Reports.
- Methodology:** 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 Measures: 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:** 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.
- Data Source:** Actuarial Valuation Reports.
- Methodology:** 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 Measures: 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: 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.

Data Source: Actuarial Valuation Reports.

Methodology: 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 Measures: 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: 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.

Data Source: 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.

Methodology: 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):

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

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

Data Limitations: None.

Calculation Type: Non-cumulative.

New Measure: No.

Desired Performance: Higher than target.

Outcome Measures: 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: This measure is intended to reflect the efficiency of the agency's effort to administer comprehensive and actuarially sound retirement programs.

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

Methodology: Total Administrative Expense for Fund 0955 from the Combining Statement of Changes in Fiduciary Net Position 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 position.

Data Limitations: None.

Calculation Type: Non-cumulative.

New Measure: No.

Desired Performance: Lower than target.

Outcome Measures: Investment Expense as Basis Points of Net Position

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

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

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

Methodology: Investment Expenses 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 Measures: 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: 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.

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

Methodology: 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 Measures: Percent of HealthSelect Participants Satisfied with Network Services

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

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

Data Source: 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.

Methodology: The TPA conducts interviews of HealthSelect members by mail each month. Members have the option of responding online. 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 retirees and their beneficiaries from the ERS Fund 0955.

Purpose: 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.

Data Source: Report from the annuity payroll system.

Methodology: An automated monthly report from annuity payroll determines the total number of warrants issued from the ERS Fund 0955. The report for the month of August is used for this measure.

Data Limitations: None.

Calculation Type: Non-cumulative.

New Measure: No.

Desired Performance: Higher than Target

Output Measures: Number of ERS Retirees Added to Annuity Payroll

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

Purpose: 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.

Data Source: Annuity payroll data.

Methodology: 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 Measures: Number of ERS Accounts Maintained

- Definition:* The number of ERS accounts maintained by agency staff from the ERS Fund 0955.
- Purpose:* 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.
- Data Source:* ERS member files.
- Methodology:* The automated reports total the number of contributing and non-contributing accounts from the ERS Fund 0955.
- Data Limitations:* None.
- 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:* This measure shows the demand for the agency's services to maintain a retirement program for law enforcement and certain TDCJ-ID employees (LECOS).
- Data Source:* Report from the payroll system.
- Methodology:* An automated monthly report from annuity payroll determines the total number of payments issued from the LECOS Fund 0977. The report for the month of August is used for this measure.
- Data Limitations:* None.
- Calculation Type:* Non-cumulative.
- New Measure:* No.
- Desired Performance:* Higher than target.

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

Data Source: Annuity payroll data.

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

Data Source: LECOS member files.

Methodology: 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 retirees and their beneficiaries from the Judicial Retirement System Plan 2 Fund 0993.

Purpose: 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.

Data Source: Report from the annuity payroll systems.

Methodology: An automated monthly report from annuity payroll determines the total number of warrants issued from the JRS-2 Fund 0993. The report for the month of August is used for this measure.

Data Limitations: None.

Calculation Type: Non-cumulative.

New Measure: No.

Desired Performance: Higher than target.

Output Measures: 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: 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.

Data Source: Annuity payroll data.

Methodology: 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 Measures: Number of JRS-2 Accounts Maintained

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

Purpose: 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.

Data Source: JRS-2 member files.

Methodology: 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 retirees and their beneficiaries from the Judicial Retirement System Plan 1.

Purpose: 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.

Data Source: Report from the annuity payroll system.

Methodology: An automated monthly report from annuity payroll determines the total number of warrants issued from the JRS-1 Fund. The report for the month of August is used for this measure.

Data Limitations: None.

Calculation Type: Non-cumulative.

New Measure: No.

Desired Performance: Higher than target.

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

- Definition:* The number of Judicial Retirement System Plan 1 retirees added to annuity payroll.
- Purpose:* 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.
- Data Source:* Annuity payroll data.
- Methodology:* 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:* 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.
- Data Source:* JRS-1 member files.
- Methodology:* 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: 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.

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

Methodology: 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 Measures: 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: 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.

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

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

Data Source: This data is obtained from an automated report that is created from the ERS OnLine Payroll system.

Methodology: 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 Measures: Number of Retiree Death Benefits Paid

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

Purpose: 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.

Data Source: This data is obtained from an automated report that is created from the ERS OnLine Annuity Payroll system.

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

Data Source: Report from the third party administrator.

Methodology: 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 Measures: 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: This measure shows the efficiency of the pharmacy benefit manager in processing pharmacy claims for members in a timely manner.

Data Source: Report from the pharmacy benefit manager.

Methodology: 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 Measures: Total Cost Paid Per HealthSelect Member for Administration and Claims Processing

- Definition:* The total cost per HealthSelect member paid to the medical claims administrator for administration and claims processing.
- Purpose:* This measure shows the efficiency of the agency's efforts to manage the group insurance program for general state and higher education employees.
- Data Source:* Contract with claims administrator.
- Methodology:* 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:* 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.
- Data Source:* Contract with claims administrator.
- Methodology:* 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 Measures: 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:* This measure shows the demand for the agency's services to provide employees, retirees and dependents with a comprehensive, quality health program.
- Data Source:* Benefits administration system.
- Methodology:* 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:* This measure shows the demand for the agency's services to provide employees, retirees and dependents with a comprehensive, quality health program.
- Data Source:* Benefits administration system.
- Methodology:* 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 Measures: 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: 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.

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

Methodology: 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: 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.

Data Source: Report from third party administrator.

Methodology: 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 Measures: Prescription Drug Program Costs as Percent of Total HealthSelect Costs

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

Purpose: 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.

Data Source: Report from third party administrator.

Methodology: 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. AGENCY OVERVIEW

ERS administers retirement, health and other insurance benefits, TexFlex, a tax-savings flexible benefit program, and 401(k) and 457 investment accounts as part of the Texa\$aver Program. We also manage and invest the ERS Trust for the sole benefit of retirement system members.

II. CURRENT WORKFORCE PROFILE (SUPPLY ANALYSIS)

A. Strategic Directions and Strategies

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.

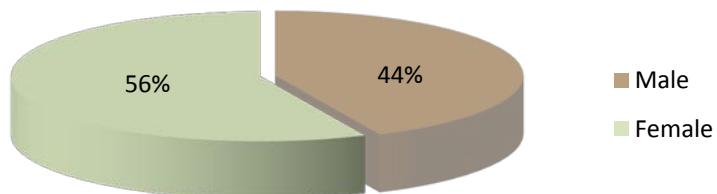
In addition, ERS needs highly skilled and knowledgeable Investments staff to administer comprehensive and actuarially sound retirement programs.

B. Workforce Demographics

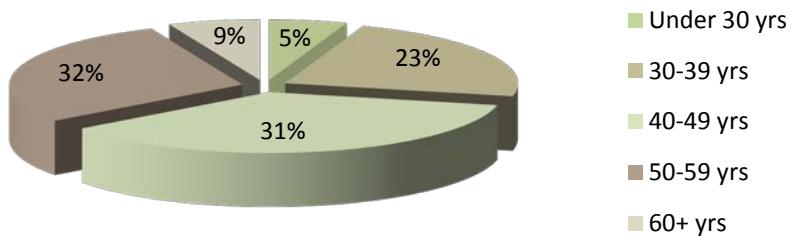
As of May 31, 2014, the Employees Retirement System had 328 employees, including part-time and full-time staff, to carry out the mission of the agency. ERS enhances the lives of our participants through the delivery of competitive benefits at a reasonable cost. The following three pie charts illustrate the demographic make-up of ERS' workforce.

Workforce Breakdown

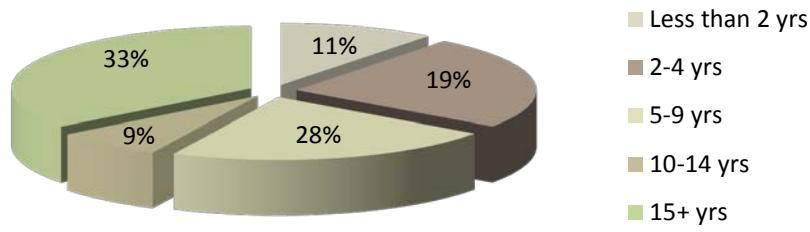
Gender - ERS' workforce is 44 percent male and 56 percent female.



Age - More than 72 percent of the agency's employees are over the age of 40.



Agency Tenure - Over 71 percent of ERS' workforce has five years or more of state service and 29 percent of the workforce has less than four years of state service.



Agency Minority Workforce

The following table compares the percentage of minority workers at ERS as of May 31, 2014 to the statewide civilian workforce.

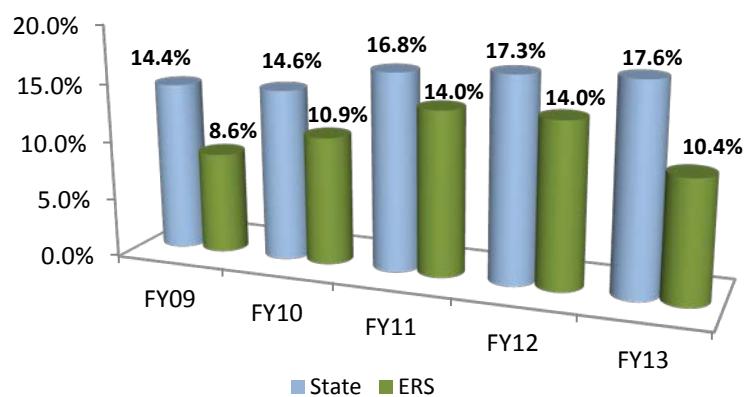
Job Category	African-American		Hispanic		Females	
	ERS %	State %	ERS %	State %	ERS %	State %
Officials, Administration	0	4	20	10	47	30
Professional	4	9	14	9	52	46
Technical	10	13	14	16	41	40
Para-professional	19	23	11	29	81	56
Administrative Support	11	19	50	22	67	81
Skilled Craft	0	10	100	24	0	17
Service 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, 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 2009 through 2013. During this time-period, ERS' turnover rate was below the statewide turnover rate.



As of May 31, 2014, the agency turnover rate was 7.7 percent. Annualizing this figure gives ERS a projected turnover rate for Fiscal Year 2014 of 9.6 percent.

Turnover by Length of Service

Length of State Service	ERS Turnover % by Service FY 2013	State Turnover % by Service FY 2013
Less than 2 years	12.5%	40.4%
2 to 4.99 years	14.0%	16.9%
5 to 9.99 years	10.3%	10.4%
10 to 14.99 years	8.3%	9.5%
15 years and over	7.5%	12.5%
Overall Turnover	10.4%	17.6%

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

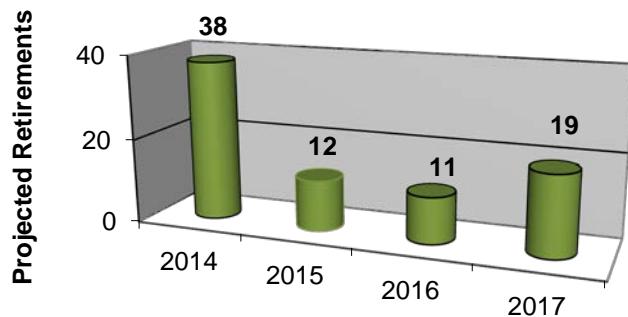
Turnover by age reflects the make-up of the agency workforce. Below is a chart showing the percentage of turnover by age.

Age	ERS Turnover % by Age FY 2013	State Turnover % by Age FY 2013
Under 30 years	8.4%	34.8%
30 to 39 years	12.3%	15.9%
40 to 49 years	11.0%	10.2%
50 to 59 years	7.7%	13.4%
60 years and over	14.5%	22.3%
Overall Turnover	10.4%	17.6%

During Fiscal Year 2013, employees in the Under 30 and 50-59 years groups experienced the lowest level of turnover at ERS, and experienced the greatest turnover in the 30-39 and 60 years and over age group. The high turnover in the 60 years and over age group can be attributed to the number of retirements ERS experienced in FY13.

Turnover from Potential Retirements

Based on limited data available, the agency projects that during fiscal years 2015-2017, 42 staff or approximately 13 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

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, and
- 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,
- engaging stakeholders for informed decision making, and
- enhancing 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.

- 2014 = 81%
- 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.

The overall survey score for ERS was 401.

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 (**13 ERS scores**)

Between 350 - 375 = perceived more positively than negatively (**No 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:

1. Physical Environment - perception of work setting, degree to which employees believe a safe and pleasant working environment exists. **Score: 431** (2012 Score: 422)
2. Supervision – perceived supervisory relationships within the organization including leadership, communication of expectations, and sense of fairness. **Score: 420** (2012 Score: 399)
3. Strategic - how the organization responds to external influence, which play a role in defining the mission, services and products provided by the organization. **Score: 419** (2012 Score: 409)
4. External Communication – how information flows out to the organization. **Score: 419** (2012 Score: 408)
5. Employee Development – perceptions of priority given to employee career and personal development. **Score: 415** (2012 Score: 396)
6. Quality – degree to which quality principles, such as customer service and continuous improvement, are a part of the organizational culture. **Score: 411** (2012 Score: 397)
7. Team – perceptions of effectiveness of their work group and the extent to which the organizational environment supports appropriate teamwork among employees. **Score: 409** (2012 Score: 397)
8. Employee Engagement – sense of trust, level of employees' participation in carrying out their work responsibilities towards delivering high quality work. **Score: 409** (2012 Score: 396)
9. Benefits – role that the employment benefit package plays in attracting and retaining employees. **Score: 403** (2012 Score: 400)
10. Job Satisfaction – satisfaction with overall work situation; weighs heavily on work-life balance, sense of pride, and offering meaningful contributions to the workplace. **Score: 401** (2012 Score: 386)
11. 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: 392** (2012 Score: 380)
12. Information Systems – whether computer and communication systems enhances the ability to get the job done by providing accessible, accurate, and clear information. **Score: 386** (2012 Score: 382)
13. Internal Communication – communication exchanges within the organization; extent to which employees view information exchanges as open, honest, and productive. **Score: 379** (2012 Score: 358)
14. 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: 294** (2012 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: 413 – substantial strength (2012 Score: 405)
- 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: 422 – substantial strength (2012 Score: 409)
- Fairness – extent to which employees believe that equal and fair opportunity exists for all members of the organization. **Score: 383** – substantial strength (2012 Score: 365)
- Feedback – essential element of organizational learning by providing the necessary data in which improvement can occur. **Score: 384** - substantial strength (2012 Score: 359)
- Management – climate presented by management as being accessible, visible, and an effective communicator of information is a basic tenant of successful leadership. **Score: 407** – substantial strength (2012 Score: 382)

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.