AGENCY STRATEGIC PLAN
For the 2009-2013 Period

TEXAS PENSION REVIEW BOARD

<table>
<thead>
<tr>
<th>BOARD MEMBER</th>
<th>TERM EXPIRES</th>
<th>HOMETOWN</th>
</tr>
</thead>
<tbody>
<tr>
<td>RICHARD E. MCELREATH, Chair</td>
<td>2013</td>
<td>Amarillo</td>
</tr>
<tr>
<td>SHARI O. SHIVERS, Vice Chair</td>
<td>2009</td>
<td>Austin</td>
</tr>
<tr>
<td>PAUL A. BRADEN</td>
<td>2009</td>
<td>El Paso</td>
</tr>
<tr>
<td>ROY V. CASANOVA, Jr.</td>
<td>2007</td>
<td>San Antonio</td>
</tr>
<tr>
<td>REPRESENTATIVE CRAIG EILAND</td>
<td>2011</td>
<td>Galveston</td>
</tr>
<tr>
<td>JERRY R. MASSENGALE</td>
<td>2011</td>
<td>Lubbock</td>
</tr>
<tr>
<td>NORMAN W. PARRISH</td>
<td>2013</td>
<td>The Woodlands</td>
</tr>
<tr>
<td>FREDERICK E. ROWE, Jr.</td>
<td>2009</td>
<td>Dallas</td>
</tr>
<tr>
<td>SENATOR JOHN H. WHITMIRE</td>
<td>2005</td>
<td>Houston</td>
</tr>
</tbody>
</table>

DATE OF SUBMISSION: July 11, 2008

SIGNED: ____________________________
Paul Janssen Nicholson, Executive Director

APPROVED: __________________________
Richard E. McElreath, Chair

DATE APPROVED: July 2, 2008
TABLE OF CONTENTS

State of Texas Vision and Mission ..................................................................................................1
State of Texas Philosophy................................................................................................................2
State of Texas Goals and Statewide Benchmarks............................................................................3
Texas Pension Review Board Mission and Philosophy.................................................................3
External/Internal Assessment...........................................................................................................4
Discussion of Current-Year Activities...........................................................................................10
Performance Benchmarking...........................................................................................................12

AGENCY GOAL 1: Ensure Actuarial Soundness of Texas Public Retirement Systems............14

Conduct Reviews of Texas Public Retirement Systems,
including educational forums....................................................................................................14

Provide technical assistance and educational services to public retirement systems… 15

AGENCY GOAL 2: Increase Use of Historically Underutilized Business ...................................16

Action Plans...................................................................................................................................17

Technology Initiative Alignment...................................................................................................20

Appendices....................................................................................................................................21

A. Description of Agency's Planning Process ...............................................................22
B. Current Organizational Chart .............................................................................23
C. Agency Projected Outcomes ...........................................................................24
D. Definition of Measures ..................................................................................25
E. Customer Service Survey Report ................................................................29
F. Implementing Texas Transformation .........................................................32
G. Strategic Staffing Analysis ........................................................................33
H. Survey of Organizational Excellence ..........................................................38
Statewide Vision

Working together, I know we can accomplish our mission and achieve these priority goals for our fellow Texans:

To assure open access to an educational system that not only guarantees the basic core knowledge necessary for productive citizens but also emphasize excellence and accountability in all academic and intellectual undertakings;

Creating and retaining job opportunities and building a stronger economy to secure Texas’ global competitiveness, leading our people and a stable source of funding for core priorities;

Protecting and preserving the health, safety, and well-being of our citizens by ensuring healthcare is accessible and affordable and by safeguarding our neighborhoods and communities from those who intend to harm us; and

Providing disciplined, principled government that invests public funds wisely and efficiently.

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.
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 are best made by those individuals, their families, and the local governments 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.

Aim High...We are not here to achieve inconsequential things!
The Priority Goals of Texas State Government

The Texas Pension Review Board (PRB) has drawn upon the General Government Priority Goal, which is to support effective, efficient, and accountable state government operations, and to provide citizens with greater access to government services while reducing service delivery costs.

Statewide Benchmark

- Increase the percentage of actuarially-funded defined benefit Texas public retirement systems that are actuarially sound.
- Increase the percentage of pension plan administrators satisfied with educational services.

The Mission Statement of the Texas Pension Review Board

The PRB is mandated to oversee all Texas public retirement systems, both state and local, in regard to their actuarial soundness and compliance with state law. Our mission is to provide the State of Texas with the necessary information and recommendations to ensure that our public retirement systems, whose combined assets total in the multi-billions, are actuarially sound, benefits are equitable, the systems are properly managed, tax expenditures for employee benefits are kept to a minimum while still providing for those employees, and to expand the knowledge and education of administrators, trustees, and members of Texas public pension funds.

The Philosophy of the Texas Pension Review Board

The PRB will act in accordance with the highest standards of ethics, accountability, efficiency, and openness. We are proud to be of service to the state in helping ensure that promised pension benefits are provided to the public retirement systems' annuitants and in seeing that tax dollars are spent most efficiently.
External/Internal Assessment of the Texas Pension Review Board

I. Overview of Agency Scope and Functions

A. Statutory Basis

The PRB was established by H.B.1506, 66th Legislature, R.S. (V.T.C.A., Title 8, Chapter 801, Government Code,) effective September 1, 1979, as an oversight agency for Texas public pension systems. The general duties of the PRB outlined in Chapter 801 of the Government Code are to (1) conduct a continuing review of public retirement systems, compiling and comparing information about benefits, creditable service, financing and administration of systems; (2) conduct intensive studies of potential or existing problems that threaten the actuarial soundness of or inhibit an equitable distribution of benefits in one or more public retirement systems; (3) provide information and technical assistance on pension planning to public retirement systems on request; and (4) recommend policies, practices, and legislation to public retirement systems and appropriate governmental entities. The agency is also charged with preparing and providing an actuarial impact statement for bills and resolutions that propose to change the amount or number of benefits or participation in benefits of a public retirement system or that proposes to change a fund liability of a public retirement system. Additionally, the board is authorized to conduct training sessions, schools, or other educational activities for trustees and administrators of public retirement systems. The board may also furnish other appropriate services such as actuarial studies or other requirements of systems and may establish appropriate fees for these activities and services.

B. Historical Perspective

The Texas Pension Review Board (PRB) is established under Chapter 801 of the Government Code. The agency was originally conceived in the late 1970s, as a solution to the need for federal oversight of state and local retirement systems through ERISA-style legislation. The board was established as a “blue ribbon” board with the board members bringing their expertise in related fields to serve the public pension community in Texas. The agency was given additional authoritative powers in the 1980s and its mandate has not changed greatly since that time.

C. Affected Populations

The PRB service population consists of the current and future members, administrators, and trustees of approximately 390 individual public retirement plans; state and local government officials; and taxpayers.
D. Main Functions

The main functions of the PRB are to conduct a continuing review of all public retirement systems, to conduct intensive studies of potential or existing problems that threaten the actuarial soundness of public retirement systems, to provide information and technical assistance, and to recommend policies, practices, and legislation to public retirement systems and appropriate governmental entities. In addition, the PRB is charged with producing actuarial impact studies on proposed legislation. Though the PRB does not have civil or criminal penalties to level, the PRB has been given the power to inspect records, issue subpoenas, and request writs of mandamus to the plans to compel compliance with reporting requirements.

II. Organizational Aspects

A. Board Members

The board is composed of nine members. The governor appoints seven of these: three persons who have experience in the fields of securities investment, pension administration, or pension law and are not members or retirees of public retirement systems; one active public retirement system member; one retired public system member; one person who has experience in the field of governmental finance; and an actuary. The lieutenant governor appoints a state senator and the speaker of the house appoints a state representative.

B. Staff

The PRB has grown from a limited staff of four employees to its current level of 12 employees, including the executive director. With additional employees, the PRB has seen a growth in the area of staff expertise allowing for more complex analysis of plans correlating to the demographic shifts in the state and investment complexity of pension funds. As issues involving public pensions grow more complex, the PRB staff is well-equipped to provide the highest quality of work for public pension plans, their administrators, trustees and members in the State of Texas.

C. Organization Structure

The PRB is organized as depicted in the organizational chart attached as Appendix B. The day-to-day operations of the agency are managed by the executive director. The executive director provides oversight for all programs and activities. The agency is organized based on two main work areas: operational and analytical. Within these two areas, the agency is organized into five divisions. On the operational side, the administrative division is responsible for managing the workflow, receipt and cataloguing of all reports filed with the agency, managing contact information, annual and regional seminars, and distributing workflow assignments. The accounting and human resource division is responsible for managing the expenditure of
appropriated funds, purchasing and ordering supplies, coordinating board member travel, and the management of personnel files. On the analytical side, the data analysis division is responsible for reviewing plan information, updating the database, managing plan contact and trustee information, overseeing the Quarterly Reporting System (QRS), comparing investment policies of plans to their actual practices, and doing financial trend analysis. The policy analysis division is responsible for developing policies and procedures for compliance with state law, reviewing state and federal laws and their impact on Texas pension plans, and serving as the agency liaison with the pension plans and the Legislature. The actuarial analysis division, headed by the deputy executive director, is responsible for examining all legislation for potential effect on Texas’ public retirement systems, overseeing the actuarial analysis process, and providing actuarial review when required by law.

D. Location of the Agency
The PRB occupies approximately 3000 square feet of office space in the William P. Clements Building located at 300 West 15th Street, Austin, Texas. The agency does not have any field offices.

III. Fiscal Aspects

A. Budget

<table>
<thead>
<tr>
<th>Method of Finance</th>
<th>Fiscal Year Appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>General Revenue</td>
<td>$283,583</td>
</tr>
<tr>
<td>Fund No. 662</td>
<td>$12,062</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$295,645</td>
</tr>
</tbody>
</table>

The PRB has seen an increase in the size of its budget and staff levels from fiscal year 2004 to fiscal year 2008. Previously, the agency’s staff level had remained the same since the 1980s. The appropriations for fiscal year 2006 and fiscal year 2007 included funding for two additional staff members for the agency. In fiscal year 2008, the Legislature again provided for a much needed increase in staff levels by funding an additional six staff members for the agency. Of the current agency budget, approximately 90% is dedicated to salaries for staff.

B. Method of Finance

While the majority of funding for the agency is received from the General Revenue Fund, a portion of the fiscal year 2008 and fiscal year 2009 budget is taken from the PRB Fund No. 662. Prior to fiscal year 2005, portions of the agency’s appropriations were taken from the 662 Fund. The 662 Fund was established in Chapter 801 of the Government Code to allow for voluntary contributions made by Texas public retirement systems. The appropriations from the 662 Fund in
2008 and 2009 represent the remaining balance of the 662 Fund. No federal funds are received and/or allocated to the PRB.

C. Per Capita and Other State’s Comparison

The oversight of public pensions in other states generally falls into two categories: legislative oversight committees and pension/retirement commissions. Approximately two dozen states have commissions where the responsibilities and duties include administration, management of investments and general operations. Legislative committees in other states work on pension policy and state law governing pensions and investments. In certain cases, financial monitoring of public pensions is conducted by the state auditor’s office. In Massachusetts, the Public Employee Retirement Administration Commission (PERAC) has approximately 50 staff members that span several departments including actuarial, legal, audit, investment, disability and fraud. The budget for PERAC exceeds $7 million. For the State of Washington, the Office of the State Actuary (OSA) provides actuarial services for all state-funded or state-sponsored pension plans, staffs the Select Committee on Pension Policy, and provides the state with actuarial and policy analysis. The OSA consists of 12 staff members and a budget of approximately $1.65 million.

D. Budgetary Limitations

Though the agency has seen a significant increase in the size of its budget, about 90% of the appropriations are dedicated to staff salary. Fiscal year 2009 appropriations are nearly $26,000 less than fiscal year 2008 and the 2009 budget will present challenges for the agency. Facilities maintenance, technological improvements, recurring license and software fees, and travel expenses will need to be funded from a smaller pool of resources than in 2008. Though the agency has received much needed additional staff, the additional staff requires appropriate technology and analytical tools to ensure that the agency is providing the highest quality services to the State of Texas.

IV. Service Population Demographics

With approximately 390 public retirement systems reporting membership totaling about 2.3 million active and retired persons and assets of approximately $194 billion, the PRB is involved with a service population which covers the entire state. Of the approximately 390 pension plans, the statewide systems serve nearly two million members and have assets of $166 billion. Over the next 20 years, the PRB expects the total number of retirees in Texas to increase as the baby boomer generation begins to reach retirement age.
V. Technological Developments

The agency faces many challenges to improve the state of its technology. For many years, the agency did not have a staff member dedicated to technology, nor did it have a management plan for the agency database. Because of these factors, the PRB database presents the first major challenge for the agency in the technology area. The integrity of the information in the database is inconsistent due to human error. Moreover, the database is not functioning properly. This includes the calculations for totals on various screens, the reporting function and the customer side of the database used for tracking contact information. An outcome of poor database management practices resulted in the agency adopting insufficient processes for hiring outside contractors. As a result, database problems have persisted. Indeed, many of the attempts to address issues with the database have led to further complications that the agency is still attempting to remedy. Though the database is not currently functioning at full capacity, staff is dedicated to solving the database problems and developing a database that will meet the agency’s needs in the future.

The Quarterly Reporting System (QRS) has recently received several minor revisions in order for the system work more efficiently for the PRB and plan administrators.

VI. Economic Variables

Economic variables play a significant role in public pensions. Overall health of the financial markets is the most important economic variable. The investment of fund assets and the income derived from the investments play a major role in the health of a public pension fund. When fund assets perform well, the additional income can help strengthen the financial health of the public pension fund, while poor investment performance can weaken the soundness of a public pension fund. Additionally, the budgetary health of the sponsoring governmental entity can affect contribution levels to the public pension fund. If tax revenues are strong and growing, a governmental entity should be in a better financial position to make necessary contributions to the public pension fund; however, when tax revenue amounts decline and resources are more limited, contributions to public pension funds may be reduced or cut leading to a deterioration of the financial health of a public pension fund. Also, the level of employment affects public pension funds in several ways. When the level of employment increases, there is a corresponding increase in the number of active members and total employee contributions to a public pension fund. When levels of employment decline, the number of active members and total employee contribution amounts can decrease, leaving a public pension fund with a smaller contribution base.

VII. Federal Issues Affecting Public Pensions

A. Securities and Exchange Commission

discusses numerous enforcement actions that highlight continued disclosure weakness, concerns about governmental accounting, and the need to improve disclosure practices. The paper makes specific mention of San Diego, where the city failed to disclose the “…gravity of its enormous pension and retiree health liabilities or that those liabilities had placed the city in serious financial jeopardy.” Though the SEC’s authority in the matter of the municipal securities market is limited, the agency is becoming more visible and active in the matter of financial disclosure, specifically the disclosure of pension and health-care obligations.

B. Internal Revenue Service

During the spring of 2008, the Internal Revenue Service (IRS) hosted a roundtable to establish a dialogue between the IRS and the governmental plans sector regarding the need to comply with tax qualification requirements. Though the IRS has very little history examining governmental plans, the IRS wants to ensure that governmental entities understand the tax qualification requirements applicable to their plans and are aware of the tools and resources available to assist them in ensuring ongoing compliance. The IRS is considering strengthening its oversight of public pension plans.

C. Governmental Accounting Standards Board

The Governmental Accounting Standards Board (GASB) released a research paper regarding a project update on the pension accounting research project in December 2007. The paper was part of a process whereby GASB will address issues related to pension accounting and financial reporting standards and consider whether standards should be amended in order to improve their effectiveness. Additionally, GASB’s phase-in of the 30-year amortization period is now complete, thus their recommended standard will be to amortize unfunded liabilities over a period of 30 years (whereas it had previously been 40 years). In April 2008, GASB added a project to its 2008 agenda to review existing pension standards. Under the Postemployment Benefits Accounting and Financial Reporting project, GASB will assess the effectiveness of its existing standards for accounting and financial reporting for postemployment benefits – focusing on a review of existing pension standards in GASB statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 27, Accounting for Pensions by State and Local Governmental Employers – and consider whether improvements need to be made.

D. Actuarial Standards Board

The Actuarial Standards Board (ASB) updated Actuarial Standard of Practice (ASOP) No. 4 on Measuring Pension Obligations effective for valuations after March 15, 2008. The ASB decided to revise ASOP No. 4 to create an “umbrella” standard to tie together these existing and proposed standards and address overall considerations for an actuary when measuring pension obligations. The ASB is currently seeking comments on ASOP No. 27 on the Selection of Economic Assumptions for Measuring Pension Obligations.
VIII. Self-Evaluation and Opportunities for Improvement

The recent changes at the agency, including the hiring of a new executive director and the addition of new staff, have resulted in a focus on re-evaluating existing policies and procedures, as well as identify areas which need new policies and procedures. This work has revealed opportunities for improvement. Additionally, the agency completed its Survey of Excellence and the 2008 Customer Service Survey report; the results will be used to further examine areas that need improvement.

The enforcement of annual reporting requirements continues to be an area of concern as the database is the main source of compliance tracking. Without the database capabilities, staff has difficulty identifying plans that are severely non-compliant, as well as providing notice to plans whose annual reports are due to the agency. Beyond this, the agency is seeking to improve the notification process to ensure that all plans are aware of state reporting requirements. The results of the most recent customer service survey indicate that this is a key area for plan administrators, who while satisfied with the work of the agency in this area, still expressed the need to improve the effective communication of registration and reporting requirements.

The agency is also looking to improve its communication to its plan constituents by developing written policies regarding plans appearing before the board. Two reasons a plan would be asked to appear before the board are: (1) being a non-compliant plan and (2) being an underfunded plan. Though the agency has a written policy on non-compliance, a written policy has not been developed for underfunded plans. The agency is working to develop this policy.

The agency is currently working with the State Auditor’s office as it reviews the agency’s work on performance measures for fiscal years 2007 and 2008. The audit is examining policies and procedures in place to ensure accuracy of data collection and submission for performance measures.

IX. Discussion of Current-Year Activities

A. Research

The agency has been active in researching and writing papers regarding several important pension topics. Over the past several months, the agency submitted papers to the House Committee on Pensions and Investments examining the impact of actuaries on public pension plans, board governance and structure, and fiduciary duty. Additionally, the agency submitted a paper to the Senate Finance Committee and the Senate State Affairs Committee regarding the possible expansion of financial requests for alternative investment information, transparency of information, and proper assessment of risk. The agency also produced a paper that used financial and trend analyses to examine the long-term financial health of a public pension plan.

B. Regional Educational Seminars

The agency has conducted four regional educational seminars in Amarillo, San Angelo, Houston, and Dallas. The agency is scheduled to host one more seminar in fiscal year 2008 in Corpus
Christi. Topics addressed in the seminars are fiduciary duty, retirement counseling, program compliance, understanding actuarial methods, finance, and using the PRB as a resource. Both the Texas Municipal Retirement System and the Employees Retirement System provided staff to aid the agency in presenting certain topics to seminar attendees. The attendance of the four regional seminars totaled over 125. One additional benefit of the regional seminars is that they provide the agency with the ability to meet with plans face-to-face and to hear suggestions directly from the agency’s constituents.

C. Compliance
The agency is working to improve plan compliance with state registration and reporting requirements. Due to database issues, tracking plan compliance and providing proper notification to plans has become an issue. The agency has initiated several processes to begin addressing issues of plan compliance. Staff has begun contacting plans that are missing components of reports required under Chapter 802 of the Government Code. Additionally, staff is working to educate plans on the requirements of Chapter 802 of the Government Code to ensure plan compliance in the future. Another component of the compliance work is to update notification and enforcement letters to ensure that communications from the agency to the plans are clear and concise. The efforts to improve plan compliance are a priority for the agency.

D. Internal Policy and Procedure Review
As the agency undergoes changes, many of the policies and procedures are being reviewed in an effort to make changes and update where necessary. The agency maintained a smaller staff level for many years; however, with the addition of new staff and the re-organization of the agency, it has become important to provide improved, updated written policies and procedures for the agency.

E. Increased Analysis of Plans
The addition of new staff has provided the agency with the ability to increase the analysis of plans’ financial and actuarial data. In an effort to help identify potential problems and issues that threaten actuarial soundness, staff is conducting trend, financial and actuarial analysis of plans identified as having potential problems. The results of this work can indicate which plans may be moving in a positive direction and the plans whose trends indicate potentially more serious problems. The agency recently conducted a case study of a plan, referred to as Plan X, in an effort to test the effectiveness of these techniques. In a presentation to the board, staff outlined areas of concern with the plan history, financial, and actuarial data, as well as recommended measures to work with the plan to address the areas of concern.

F. 80th Legislative Session
The 80th Session of the Texas Legislature came to a close on May 30, 2007. During the session, the PRB tracked 155 bills and companions affecting public pension systems. The PRB issued
115 formal impact statements on the actuarial effect of these bills, companions, and substitutes on public retirement systems. Some of the highlights of passed legislation include:

All Governmental Entities – (HB 2365, HB 2664)
El Paso Police and Fire – (HB 3355)
Employees Retirement System – (HB 3322, SB 247)
Fort Worth Employees Retirement Fund – (HB 2870, SB 976)
Houston Firefighters’ Relief and Retirement Fund – (HB 1390)
Judicial Retirement System II – (HB 2882, SB 1519)
Law Enforcement and Custodial Officer Supplemental Retirement Fund – (HB 2498, SB 103, SB 737)
San Antonio Police and Fire Fighter Retirement System – (HB 2751, HB 2752)
Teacher Retirement System – (HB 2190, HB 2358, HB 2427, SB 247, SB 1039, SB 1447, SB 1846)
Texas County and District Retirement System – (HB 1587, HB 1474)
Texas Emergency Services Retirement System – (HB 2400)
Texas Local Fire Fighters’ Retirement Act – (HB 2799, HB 3731)
Texas Municipal Retirement System – (HB 1244)

X. Performance Benchmarking

The following PRB performance measure has been identified as the agency level performance benchmark:

| Percent of actuarially-funded defined benefit Texas public retirement systems that are actuarially or financially sound. |

An actuarially funded defined benefit public retirement system is considered actuarially sound if an actuary determines that it has sufficient money to pay ongoing normal cost and amortize the unfunded liability over a period not to exceed 40 years, preferably 25 to 30 years. This measure of actuarial soundness represents one of five Guidelines for Actuarial Soundness adopted by the PRB. On September 5, 1984, the board originally adopted Guidelines to Actuarial Soundness. The current guidelines state: (1) The funding of a pension plan should reflect all plan liabilities and assets. (2) The allocation of the normal cost portion of contributions should be level as a percent of payroll over the amortization period. (3) Funding of the unfunded actuarial accrued liabilities should be level or declining as a percent of payroll over the amortization period. (4) Funding should be adequate to amortize the unfunded actuarial accrued liability over a period which should never exceed 40 years, with 25-30 years being a more preferable target. (5) The
choice of assumptions should be realistic and reasonable in the aggregate. Actuarial valuations performed by each system’s actuary are the source for this data. Each actuarial valuation submitted to the PRB is reviewed to determine the actuarial soundness of the state's public retirement systems.

If a Texas public retirement system is identified as having an amortization period exceeding 40 years, the PRB notifies the Board of Trustees of that fund advising them that they are required to notify each active member and annuitant that the financing arrangement of the system is inadequate. The members must be provided a summary of the financial condition of the retirement system. The underfunded plan is asked to advise the PRB as to any corrective changes to the plan design or contribution rate, which would alleviate the funding problems. These plans are then requested to appear before the members of the board at a regularly scheduled meeting for discussion of their underfunded situation. PRB staff maintains close communications with these plans and future actuarial valuations and financial reports are closely monitored.

The PRB staff regularly conducts reviews of each public retirement system. A review of a public retirement system includes the review of the plan design, financial reports, investment policy, and partial reviews of quarterly plan reports; or actuarial valuations. In certain instances, the PRB staff will identify a situation, which could lead to a future problem for a particular retirement system. In this situation, the staff may recommend to the board that a special actuarial study of that system be conducted. If approved by the board, the PRB staff actuary will perform this review. Upon completion of the special study, the trustees of the retirement system, the contract actuary, and the PRB will meet to discuss the recommendations for correction of potential problems.

The following PRB performance measure has been identified as the agency level performance benchmark:

| Percent of Plan Administrators Satisfied with PRB Educational Services |

The percent of plan administrators satisfied with PRB educational services is determined through the agency customer service survey. This is the number of surveyed plan administrators that expressed satisfaction with the PRB programs divided by the total number of surveyed plan administrators that expressed an opinion with the PRB programs.

The PRB staff provides technical assistance to administrators and members of public retirement systems, members of the Legislature, and the general public. Technical assistance includes providing information on pension issues, investments, laws and reporting requirements.
### Agency Goals, Objectives, and Strategies

**Goal 01:** Ensure that Texas Public Retirement Systems are actuarially sound and well managed in their administration and investments so that members receive their entitled benefits with a minimum expenditure of taxpayer dollars.

<table>
<thead>
<tr>
<th><strong>OBJECTIVE</strong></th>
<th><strong>STRATEGY</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>• Outcome Measure</strong></td>
<td><strong>• Output Measures</strong></td>
</tr>
</tbody>
</table>

**01-01** To determine the actuarial and/or financial condition of all Texas public retirement systems registered with the Texas Pension Review Board such that 98% of these systems are actuarially or financially sound by the end of fiscal year 2013; and to monitor reporting requirements so that 85% of these systems are in compliance each year.

**01-01.01** Percent of actuarially funded defined benefit Texas public retirement systems that are actuarially or financially sound

**01-01.02** Percent of public retirement systems in compliance with reporting requirements

**01-01-01** Conduct reviews of Texas public retirement systems. Review plan design, financial statements, investments, and actuarial conditions of all Texas pension systems.

**01-01-01.01** Number of compliance actions initiated

**01-01-01.02** Number of reviews completed

**Efficiency Measure**

**01-01-01.01** Percent of compliance actions completed within 60 days

**Explanatory/Input Measures**

**01-01-01.01** Number of Public Retirement Systems registered with the Texas Pension Review Board

**01-01-01.02** Estimated value of Investments owned by Texas Public Retirement Systems (Billions)
OBJECTIVE

- Outcome Measures

01-02 Each year through 2013, respond to 100% of requests by providing the information required and services needed in order to make informed decisions. Educate members of public employee retirement systems (PERS), the Legislature, and general public regarding pension law and current issues such that 90% express satisfaction with educational services. Examine legislation for potential impact on Texas PERS and ensure that 100% of all actuarial impact statements are delivered prior to legislative hearings. Provide electronic access to public pension data.

01-02.01 Percent of legislative and public retirement system requests for technical assistance answered

01-02.02 Percent of seminar attendees that express satisfaction with seminar content

01-02.03 Percent of plan administrators satisfied with PRB educational services

STRATEGY

- Output Measures

01-02-01 Provide technical assistance and educational services to public retirement systems; examine legislation for potential impact on Texas’ public retirement systems, and provide electronic access to public pension data.

01-02-01.01 Number of impact statements issued

01-02-01.02 Number of persons participating in annual public pension seminars

01-02-01.03 Number of persons participating in regional public pension seminars

01-02-01.04 Technical assistance reports produced by staff

01-02-01.05 Number of technical assistance reports provided through agency website
**Goal 02:** We will establish and carry out policies governing purchasing and public works contracting which foster meaningful and substantive inclusion of historically underutilized businesses.

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>02-01</strong> To include historically underutilized businesses (HUBs) in at least 10% of the total value of goods and services purchased annually by the agency by fiscal year 2013.</td>
<td><strong>02-01-01</strong> Develop and implement a plan for increasing the use of historically underutilized businesses through the purchase of goods and services.</td>
</tr>
<tr>
<td><strong>02-01-01.01</strong> Number of HUB vendors utilized</td>
<td><strong>02-01-01.01</strong> Number of HUB vendors utilized</td>
</tr>
<tr>
<td><strong>02-01-01.02</strong> Dollar value of HUB goods and services purchased</td>
<td><strong>02-01-01.02</strong> Dollar value of HUB goods and services purchased</td>
</tr>
</tbody>
</table>
Action Plans

I. Cure Database Problems

Given the importance of the board’s continuing review of plans as they send in their reports, the accuracy and efficiency of the database storing this information is paramount to the success of the agency’s mission. To achieve this end, the database must be able to store and deliver accurate information. The current database was not created in a manner that foresaw the complexity of modern public pension plans and the requirements necessary in order to best serve the plans. The database requires new entry text boxes for staff to better reflect plans’ financial reports and a streamlined design to increase the speed with which information may be recalled. To achieve this, the database needs to be redesigned to better reflect today’s needs and build in foreseeable advances necessary.

To this end, the staff is working on developing a business document that will spell out staff needs from the database. We expect the business document to reflect the agency’s needs and provide a guide for a programmer to help the agency achieve a better system. This system will track four main features: membership in a public plan, the plan design (multipliers), the financial reports sent in by plans, and the actuarial reports and audits regarding defined benefit plans.

The database will be expected to include the main classifications for assets reported under the financial reports. Currently, those asset classes include equities, fixed income, mutual funds, real estate, alternative, cash, and other. The database also needs to better reflect the actuarial reports. Data should be entered specific to the actuarial method chosen and the amortization period should calculate separately. For instance, an aggregate method should divide the present value of future normal costs by the normal cost payments, or the entry age normal should rely on the total unfunded, residual unfunded payment, rate of return, salary and payroll growth to establish the amortization period. In addition to calculating the amortization period in the database, the reported amortization period must be entered as well. Additionally, a comparison to the plan sponsor contribution and the annual required contribution rate reported under the Government Accounting Standards Board will become more important over time given increasing interest in the net pension obligation.

Reports generated by the database will focus on common queries the agency receives from the various plans, sponsors, Legislature, and other entities. These reports will include total assets, plan membership, percent changes in assets, comparisons of plan sizes, and comparisons of plan designs (such as multipliers). By developing reports based on known criteria, the database will help aid staff efficiency in assessing plans and responding to requests for information. Finally, the database will be developed concurrently with data management policy. It is imperative that data be entered consistently across time to aid time series analysis and minimize human error. Redundancy checks are imperative to that process. Consistent definitions of asset classes (especially how to define single asset-entity mutual funds) are necessary to further reduce the possibility of human error.
II. Developing an Efficient Compliance System

Ensuring plan compliance with state reporting requirements is an important function of the agency. Previously, the agency utilized its pension system database to notify plans whose reports were soon-to-be due and plans whose reports were previously due. As many of the functions of the pension system database are not working properly, including the compliance-related functions, the agency is in the process of developing a new pension system database. The new pension system database must be designed to ensure that staff can track plan compliance without questioning the integrity of the compliance data. Additionally, the agency will need to re-develop the notification process. One change the agency is seeking to implement is to use more electronic messages to notify plans of their compliance status and which plan reports are due to the agency in a given fiscal year. Although many plans are capable of using electronic messaging, there are still some plans that will require hard copies of all notifications and the agency must ensure that the database development provides for this function as well.

While the agency works on the development of the new pension system database, staff will utilize the resources available to continue work to ensure plan compliance with state reporting requirements. In doing so, staff will manually track plan compliance data. Plans with reports pending are identified as such in a spreadsheet, and the agency will communicate to those plans which reports are due and when. Plans which have reports past due with the agency are identified as non-compliant; and the agency will communicate to those plans which reports are needed and where necessary, communicate to plans what reports are required under Chapter 802 of the Government Code.

In order to develop an efficient compliance system, the agency must pair the development of a new pension system database with the establishment of best practices, education of plan sponsors on state reporting requirements, and prioritizing work on non-compliant plans based on historical data. Best practices for compliance will be developed to maximize the use of the agency’s time and resources to produce the highest rate of compliance possible. Staff will need to identify major issues that lead to plans non-compliance with reporting requirements, remedial steps that can be taken to work with non-compliant plans, and causes of habitual non-compliance for certain plans. In addition to best practices, the agency must work to educate plans on state reporting requirements. For the 2008 Customer Service Survey, many respondents identified agency communication of the reporting requirements outlined in Chapter 802 of the Government Code as an area for the agency to improve. This must be a priority in the future.

The culmination of these steps will ensure a more efficient compliance system for the agency. Plan reviews, technical assistance, studying issues that threaten actuarial soundness, and recommending policies are all agency duties that are best served with high levels of plan compliance.
III. Provide State Legislative Education to Constituents

The results of the 2008 Customer Service Survey indicate that “State Legislative Education” research is a strong priority for the agency’s constituents. Two key components of state legislative education are (a) current statutes and (b) potential legislation. The agency has received feedback indicating that many plans would like the agency to better communicate the state reporting requirements and provide better direction on plan compliance. In this effort, the agency should seek to better educate plans on current state statutes. State law provides a good starting point to educate plans on the current landscape of public pension law in Texas. The agency will use its regional and annual seminars to provide this education to plans. Additionally, the agency should consider the use of its website as a means of providing all state level pension plan information to plans. The second portion of “State Legislative Education” focuses on possible legislation that is introduced during legislative sessions. Many bills are filed every session that impact public pension law in Texas. The agency should consider ways to inform plans on pending legislation and the potential impact that legislation could have on the plans. Moreover, as bills advance through the Legislature, the agency could provide further updates on which bills appear to be on track to pass and which do not. Once a legislative session is completed, the agency can begin to incorporate bills that have passed to become law into its education on current state statutes.
## Technology Initiative Alignment

<table>
<thead>
<tr>
<th>Technology Initiative</th>
<th>Related Agency Objective</th>
<th>Status</th>
<th>Anticipated Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of new PRB pension system database</td>
<td>All Objectives</td>
<td>Current</td>
<td>Central source for pension system data; improve functionality of database by including calculations and reports; improve integrity of data</td>
</tr>
<tr>
<td>Development of new PRB customer database</td>
<td>Objective 2: Respond to requests by providing the information required and services needed</td>
<td>Current</td>
<td>Streamline contact information; save time when generating distribution lists, letters, labels and envelopes; keep accurate records for plan contacts and trustees</td>
</tr>
<tr>
<td>Re-design of the PRB website</td>
<td>All Objectives</td>
<td>Planned</td>
<td>Update service functions on website to better serve PRB constituents</td>
</tr>
<tr>
<td>Network</td>
<td>All Objectives</td>
<td>Current</td>
<td>More efficient use of staff time and resources</td>
</tr>
</tbody>
</table>
APPENDICES

Appendix A: Description of Agency’s Planning Process
Appendix B: Texas Pension Review Board Organizational Chart
Appendix C: Agency Projected Outcomes
Appendix D: Definition of Measures
Appendix E: Customer Service Survey Results
Appendix F: Implementing the Texas Transformation
Appendix G: Strategic Staffing Analysis
Appendix H: Survey of Organizational Excellence
APPENDIX A

Description of Agency's Planning Process

The PRB’s Strategic Plan reflects the many changes that have occurred at the agency in the last year. The PRB has seen an increase in staff, a new executive director, and a reorganization of the agency. One of the first tasks for the new executive director was to establish the five different divisions within the agency and assign to each division the task of developing that division’s internal strategic plan. Combined with the agency organizational chart, the divisions’ strategic plans were used as the starting point to develop the overall agency Strategic Plan.

The next step involved a review of the 2007-2011 Strategic Plan to determine where changes to the agency would need to be reflected in the new Strategic Plan. Senior staff and the executive director studied PRB duties outlined in Chapter 801 of the Government Code, current PRB activities, performance measures, and the current 2008-2009 budget to identify relevant information necessary to develop a new Strategic Plan. Additionally, the PRB conducted an external assessment in the form of a customer service survey that rated the PRB in eleven categories, ranked future PRB priorities, and identified areas of research and education that mattered most to PRB constituents.

The PRB conducted staff meetings and consulted with board members to discuss the agency’s long-term goals and objectives. The PRB staff also discussed the Strategic Plan with the Legislative Budget Board and Governor’s Budget, Planning and Policy Office staff members to receive their suggestions. The PRB Strategic Plan will continue to evolve over time. Changes in state and federal regulations governing public pensions could greatly change the role of the agency. Changing demographics and uncertain economic conditions will also influence this future role.
## APPENDIX C

Texas Pension Review Board  
Agency Projected Outcomes  
Fiscal Years 2008-2013

<table>
<thead>
<tr>
<th>Outcome</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of actuarially-funded defined benefit Texas public retirement systems that are actuarially or financially sound</td>
<td>98</td>
<td>98</td>
<td>98</td>
<td>98</td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>Percent of public retirement systems in compliance with reporting requirements</td>
<td>85</td>
<td>85</td>
<td>85</td>
<td>85</td>
<td>85</td>
<td>85</td>
</tr>
<tr>
<td>Percent of legislative and public retirement system requests for technical assistance answered</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Percent of seminar attendees that express satisfaction with seminar content</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>Percent of plan administrators satisfied with PRB educational services</td>
<td>98</td>
<td>98</td>
<td>98</td>
<td>98</td>
<td>98</td>
<td>98</td>
</tr>
</tbody>
</table>
APPENDIX D

Definition of Measures

OUTCOME MEASURES

Percent of actuarially funded defined benefit Texas public retirement systems that are actuarially sound

An actuarially funded defined benefit public retirement system is considered actuarially sound if an actuary determines that it has sufficient money to pay ongoing normal cost and amortize the unfunded liability over a period not to exceed 40 years, preferably 25 to 30 years. This measure of actuarial soundness represents one of five Guidelines for Actuarial Soundness adopted by the Board. On September 5, 1984, the Board originally adopted Guidelines to Actuarial Soundness. The current guidelines state: (1) The funding of a pension plan should reflect all plan liabilities and assets. (2) The allocation of the normal cost portion of contributions should be level as a percent of payroll over the amortization period. (3) Funding of the unfunded actuarial accrued liabilities should be level or declining as a percent of payroll over the amortization period. (4) Funding should be adequate to amortize the unfunded actuarial accrued liability over a period which should never exceed 40 years, with 25-30 years being a more preferable target. (5) The choice of assumptions should be realistic and reasonable in the aggregate. This number does not take into account the different actuarial valuation methodologies employed by actuaries.

Methodology: The number of unsound systems divided by the number of systems registered with the PRB.

Percent of public retirement systems in compliance with reporting requirements

A public retirement system is considered to be in compliance with state reporting requirements when all reports, required under Chapter 802 of Government Code, are received by the PRB in the time required under Chapter 802.

Methodology: This is the number of compliant active systems divided by the total number of active systems.

Percent of legislative and public retirement system requests for technical assistance answered

This is the percentage of technical assistance requests that are answered. This includes written replies to requests for technical assistance, and includes requests for information on pension issues, investments, laws, and reporting requirements.

Methodology: The number of technical assistance requests completed divided by the total number of technical assistance requests.
Percent of seminar attendees that express satisfaction with seminar content
The percentage of seminar attendees that express satisfaction with the seminar content.

Methodology: This is the number of seminar attendees that expressed satisfaction with the PRB seminar content divided by the total number of surveyed seminar attendees.

Percent of plan administrators satisfied with PRB educational services
The percentage of plan administrators satisfied with PRB educational services.

Methodology: This is the number of surveyed plan administrators that expressed satisfaction with the PRB programs divided by the total number of surveyed plan administrators that expressed an opinion with the PRB programs.

OUTPUT MEASURES

Number of compliance actions initiated
All public pension plans are required by state law to report to the PRB within 211 days of the end of their fiscal years. Using the agency’s administrative personal computer database as the source of data, this is the number of written enforcement notifications to systems of their failure to report in accordance with state law.

Methodology: This is the total number of written enforcement notifications to systems.

Number of reviews completed
A review of a public retirement system includes the review of the plan design, financial reports, investment policy, partial reviews of quarterly plan reports, or actuarial valuations.

Methodology: The total number of reviews.

Number of impact statements issued
Each bill or resolution that proposes to change the amount or number of benefits or participation in benefits of a public retirement system or that proposes to change a fund liability of a public retirement system is required to have attached to it an actuarial impact statement as provided by this section. An actuarial impact statement contains a summary of the legislation, actuarial analysis, and actuarial review.

Methodology: The total number of actuarial impact statements issued on legislation. The PRB may issue several actuarial impact statements on a single bill as a result of amendments and companion legislation.
Number of persons participating in annual public pension seminars
The number of people attending PRB annual public pension seminars.

Methodology: This is the total number of people who register.

Number of persons participating in regional public pension seminars
The number of people attending PRB regional public pension seminars.

Methodology: This is the total number of people who register.

Technical assistance reports provided by Staff
The number of technical assistance reports produced by the staff of the PRB. This includes written responses to requests for technical assistance, but not limited to requests for information on pension issues, investments, laws and reporting requirement.

Methodology: The total number of technical assistance reports produced by the PRB. One report distributed to multiple recipients is counted as one.

Technical assistance reports provided through agency Website
The number of technical assistance reports provided through agency website. The number is tallied to include only qualified web pages of core technical content pages, which excludes all navigation, indexes and non-technical pages.

Methodology: The Microsoft Fast Counter account provides a password protected online presentation, which displays the data on a calendar and provides the monthly number of technical assistance reports the agency website has delivered.

EFFICIENCY MEASURES

Percent of reports filed within 60 days of non-compliance notice
This is the percentage of pension systems that submit reports required under Chapter 802 within 60 days of a late notice.

Methodology: This is the total number of systems that submitted reports required under Chapter 802 within 60 days of a late notice divided by the total number of systems which received a late notice.
EXPLANATORY/INPUT MEASURES

Number of Public Retirement Systems registered with the Texas Pension Review Board
This is the total number of active public pensions systems that are registered with the PRB.

Methodology: The total number of systems registered and required to file annual reports to the PRB.

Estimated value of investments owned by Texas Public Retirement Systems
The total estimated value of assets of all Texas public pension funds.

Methodology: This is the sum of total assets of the Texas pension funds registered with the PRB.
APPENDIX E

Customer Service Survey Results

As part of the strategic planning process, the PRB conducts an annual external assessment of the services provided by the agency. The most recent external assessment was conducted in May 2008. Surveys were sent to 387 pension system administrators, representing both defined benefit and defined contribution plans. Additionally, surveys were sent to over 40 other PRB contacts including actuaries, trustees, and other pension professionals.

Survey participants rated the PRB in eleven categories, ranked future PRB priorities and identified areas of research and education that mattered most to them. The PRB received 42 responses, translating to an approximate 10% response rate. The survey was conducted through an online host service, each participant’s IP address was allowed only one response to the survey and participants remained anonymous.1

In the first section of the survey, participants were asked to rate the PRB on a scale of 1 to 10 (with 1 representing very dissatisfied and 10 representing very satisfied) in eleven categories. Participants could also select the option of responding “Not Applicable” for each of the eleven categories. The results of the survey are listed in the table below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent Satisfied</th>
<th>Actual Ranking</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Satisfaction</td>
<td>95.00%</td>
<td>8.33</td>
<td>1.91</td>
</tr>
<tr>
<td>Staff Professional/Courteous</td>
<td>100.00%</td>
<td>8.97</td>
<td>1.06</td>
</tr>
<tr>
<td>Staff Knowledgeable</td>
<td>94.87%</td>
<td>8.74</td>
<td>1.52</td>
</tr>
<tr>
<td>Accuracy of Information</td>
<td>97.44%</td>
<td>8.67</td>
<td>1.38</td>
</tr>
<tr>
<td>Access to Staff</td>
<td>97.44%</td>
<td>8.82</td>
<td>1.32</td>
</tr>
<tr>
<td>Usefulness of Website</td>
<td>94.29%</td>
<td>8.31</td>
<td>1.68</td>
</tr>
<tr>
<td>Educational Services</td>
<td>96.88%</td>
<td>8.47</td>
<td>1.48</td>
</tr>
<tr>
<td>Communication of Chapter 802 requirements</td>
<td>86.84%</td>
<td>8.18</td>
<td>1.93</td>
</tr>
<tr>
<td>Understanding of Written Documentation</td>
<td>91.89%</td>
<td>8.30</td>
<td>1.78</td>
</tr>
<tr>
<td>Assistance in Timely Manner</td>
<td>94.59%</td>
<td>8.64</td>
<td>1.49</td>
</tr>
<tr>
<td>Promote Sound Pension Practices</td>
<td>97.37%</td>
<td>8.45</td>
<td>1.74</td>
</tr>
</tbody>
</table>

1 The PRB has received comments from plans indicating unwillingness to fill out the survey with negative marks for fear of retaliation. For that reason, the PRB decided to conduct an anonymous survey.
In determining the overall percent of participants satisfied in each category, the results were divided into two areas: Satisfied and Not Satisfied. A response of 6 or greater was tabulated as Satisfied and a response of 5 or lower was tabulated as Not Satisfied. “Not Applicable” responses and blank responses were not included. To determine the final percent satisfied number, the total number of responses equaling 6 or greater were then divided by the total number of responses indicating a numerical value. To calculate the actual ranking, all numerical responses were summed and then averaged. The standard deviation represents the deviation of response values from the calculated average.²

The results of the survey indicate satisfaction in all categories. Every category received an average score above 8, indicating that the survey participants have a strong satisfaction with the service provided by the PRB. The category with the highest rate of satisfaction is “staff is professional and courteous.” All participants who responded to this question indicated satisfaction, with the actual ranking being the highest mark overall and the standard deviation for this category being the smallest overall. This is a strong indicator that the PRB staff continues to operate at the highest level of professionalism. The PRB also received strong marks for staff knowledge, accuracy of information and educational services. The addition of PRB regional seminars and more staff have allowed the PRB to be more effective in serving its constituents. The category with the lowest level of overall satisfaction is that the “PRB has effectively communicated Chapter 802 registration and reporting requirements.” Additionally, this category scored the lowest actual ranking. The standard deviation for this category is the highest, indicating the largest variance of responses from the average. As many plans vary in size and available resources, this could be indicative of the fact that some plans are well versed in state reporting requirements, but many others are not. This should be an area for the PRB to focus on improving in the coming year. The participants overall satisfaction with the PRB is 95%, placing it in the middle of the eleven categories with five receiving higher scores and five receiving lower scores. The actual ranking for this category places it seventh out of eleven, with the standard deviation being the second highest of all categories.

The second part of the survey asked participants to rank future PRB priorities. In asking for this input, the PRB is seeking to identify areas that are of the greatest importance to its constituents. The survey listed eight categories and allowed the participants to rank their importance. Based on the results, the two most important priorities that PRB constituents would like to see the PRB focus on in the future are research on pension issues and direction on compliance. Each of these two areas has a lower standard deviation than most of the other areas, indicating a more consistent response of participants that these two areas are most important. Some results produced lower averages with high variances, implying a strong importance to some plans and lower importance to other plans. For example, the priority with the highest standard deviation is “advising small plans.” This implies that larger plans do not consider this as much a priority and small plans are asking for more focus on this area in the future.

² No degrees of freedom were used in the denominator of the standard deviation calculation.
The final part of the survey asked participants to rank the areas of education and research that are most important to them. The survey listed five categories and asked participants to rank their importance. With the results from the second section of the survey indicating that research on current pension issues is a strong priority of survey participants for future PRB work, the results of the third section indicate which areas of this research are most important. The two areas with the highest average also had the smallest standard deviations – state legislative education and research and fiduciary education.

The PRB is committed to providing services that will strengthen the public pension system in Texas. The PRB will use the results of this survey to help guide the agency in this mission. It is clear the results of this survey emphasize that the PRB remains an asset to Texas public pension plans and there is a desire for the agency to focus on the important issues identified in this survey. The PRB would like to thank all participants in the 2008 customer service survey for their time in completing the survey.
Appendix F

Implementing the Texas Transformation

The agency is working to assess elements of its technology that would correspond to the goals of the Texas Transformation. Many of the agency’s existing technologies are being updated or re-developed. The agency is currently assessing its capability of providing its data through a statewide system. The agency supports the Texas Transformation goals and seeks to implement the objectives without further cost to the taxpayer. The agency is looking forward to this exciting opportunity.

Statewide Technology Goals:

1) Leverage the state’s investment in shared technology resources
2) Protect and secure technology assets and information while safeguarding citizen privacy
3) Simplify citizen, government, and business access to public sector services and information
4) Promote the innovative use of technology that positively impacts the state’s business, as well as its economic development
APPENDIX G

Strategic Staffing Analysis

A. Overview

In order to comply with regulations required by Section 2056.002 of the Government Code, the PRB has conducted a staffing analysis, which includes the following:

- A systematic process for workforce planning, which is integrated, methodical and ongoing
- Identification of the human capital necessary to meet agency goals
- Development of a strategy to meet agency staffing requirements

Update Agency Workforce Snapshot: The PRB is currently composed of an executive director, 11 other Full-time Equivalents (FTEs). Each of the FTEs reports to the executive director. The agency was started in 1980 with two employees. For many years, the agency had five FTEs. Staff levels increased to eight after three employees were added in fiscal year 2006. Five new employees were granted in fiscal year 2008, bringing the total FTE count to 13. Current staff level consists of 12 FTEs, with one additional administrative position still to be filled.

Agency Mission: The agency shall provide the State of Texas with the necessary information and recommendations to ensure that our public retirement systems, whose combined assets total in the multi-billions, are financially sound, benefits are equitable, and properly managed. The agency seeks to minimize tax expenditures for employee benefits yet still provide for those employees, and to expand the knowledge and education of administrators, trustees, and members of Texas public pension funds.

Agency Scope and Key Functions: The PRB was established by H.B.1506, 66th Legislature, R.S. (V.T.C.A., Title 8, Chapter 801, Government Code,) effective September 1, 1979, as an oversight agency for Texas public pension systems. The general duties of the PRB outlined in Chapter 801 of the Government Code are to (1) conduct a continuing review of public retirement systems, compiling and comparing information about benefits, creditable service, financing and administration of systems; (2) conduct intensive studies of potential or existing problems that threaten the actuarial soundness of or inhibit an equitable distribution of benefits in one or more public retirement systems; (3) provide information and technical assistance on pension planning to public retirement systems on request; and (4) recommend policies, practices, and legislation to public retirement systems and appropriate governmental entities. The agency is also charged with preparing and providing an actuarial impact statement for bills and resolutions that propose to change the amount or number of benefits or participation in benefits of a public retirement system or that proposes to change a fund liability of a public retirement system. Additionally, the board is authorized to conduct training sessions, schools, or other educational activities for trustees and administrators of public retirement systems. The board may also furnish other appropriate services such as actuarial studies or other requirements of systems and may establish appropriate fees for these activities and services.
The PRB service population consists of the current and future members, administrators, and trustees of approximately 390 individual public retirement plans; state and local government officials; and taxpayers.

The main functions of the PRB are to conduct a continuing review of all public retirement systems, to conduct intensive studies of potential or existing problems that threaten the actuarial soundness of public retirement systems, to provide information and technical assistance, and to recommend policies, practices, and legislation to public retirement systems and appropriate governmental entities. In addition, the PRB is charged with producing actuarial impact studies on proposed legislation. Though the PRB does not have civil or criminal penalties to level, the PRB has been given the power to inspect records, issue subpoenas, and request writs of mandamus to the plans to compel compliance with reporting requirements.

B. Current Workforce Profile (Supply Analysis)

Critical Workforce Skills: There are several skills that are critical to the agency's ability to successfully meet objectives. The PRB could not fulfill its mission without knowledgeable people with the following skills:

- Accounting/Budgeting
- Actuary
- Administrative
- Attorney
- Auditing
- Computer Research Skills
- Database Administration
- Data Analysis
- Event Planning
- Financial Analysis
- Forecasting
- Human Resources
- Mathematical Modeling
- Office Management
- Political/Legislative Experience
- Risk Analysis
- Writing, Editing, and Research
Workforce Demographics:

<table>
<thead>
<tr>
<th>Position</th>
<th>Skill Orientation</th>
<th>Sex</th>
<th>Race</th>
<th>Retirement Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Director</td>
<td>Office Management, Financial Analysis, Data Analysis, Attorney, Risk Analysis, Writing, Editing, and Research</td>
<td>M</td>
<td>White</td>
<td>No</td>
</tr>
<tr>
<td>Office Manager</td>
<td>Office Management, Event Planning, Administrative, Writing, and Editing</td>
<td>F</td>
<td>White</td>
<td>Yes</td>
</tr>
<tr>
<td>Deputy Executive Director</td>
<td>Actuary, Financial Analysis, Mathematical Modeling, Forecasting, Risk Analysis, Writing, Editing, and Research</td>
<td>M</td>
<td>White</td>
<td>No</td>
</tr>
<tr>
<td>Senior Policy Analyst</td>
<td>Political/Legislative Experience, Data Analysis, Financial Analysis, Writing, Editing, and Research</td>
<td>M</td>
<td>White</td>
<td>No</td>
</tr>
<tr>
<td>Program Specialist</td>
<td>Financial Analysis, Data Analysis, and Computer Research Skills</td>
<td>M</td>
<td>White</td>
<td>No</td>
</tr>
<tr>
<td>Program Specialist</td>
<td>Financial Analysis, Data Analysis, Computer Research Skills, Writing, and Editing</td>
<td>F</td>
<td>White</td>
<td>No</td>
</tr>
<tr>
<td>Program Specialist</td>
<td>Administrative, Writing, Editing, Research, Event Planning, and Political/Legislative Experience</td>
<td>F</td>
<td>White</td>
<td>Yes</td>
</tr>
<tr>
<td>Administrative Assistant</td>
<td>Administrative, Research</td>
<td>F</td>
<td>White</td>
<td>No</td>
</tr>
<tr>
<td>Research Specialist</td>
<td>Computer Research Skills, Data Analysis</td>
<td>F</td>
<td>Black</td>
<td>No</td>
</tr>
<tr>
<td>Research Specialist</td>
<td>Computer Research Skills, Data Analysis</td>
<td>M</td>
<td>White</td>
<td>No</td>
</tr>
<tr>
<td>Research Specialist</td>
<td>Computer Research Skills, Political/Legislative Experience</td>
<td>F</td>
<td>Hispanic</td>
<td>No</td>
</tr>
<tr>
<td>Staff Accountant</td>
<td>Accounting/Budgeting, Human Resources</td>
<td>M</td>
<td>Hispanic</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Employee Turnover: Turnover continues to be an important issue with the PRB. A major strength of the PRB is its staff. When a position becomes vacant within the agency, the turnover rate will appear much higher than the state-wide average because the agency has 13 FTEs. Since 1981, the PRB has benefited from a very low turnover rate. So far in the agency's history, open positions have been filled with relative ease due to an Austin labor market offering many well-qualified and educated candidates.

C. Future Workforce Profile (Demand Analysis)

Expected Workforce Changes: Due to retirement eligibility of the agency's Office Manager and two other staff members, the PRB could face hiring and/or development of key personnel for roles requiring leadership and managerial expertise over the next one to five years. This risk of retirement could leave the agency without senior level experience at a position essential for the...
management of workflow at the agency. Also, the agency is expecting to hire an additional administrative staff member to bring the total staff level to 13 FTEs.

Since March 2007, the agency has hired nine new FTEs, including a new executive director, representing a major workforce change in the last 18 months where many of the current staff have been with the agency less than one year.

D. Gap Analysis
While no gap currently exists in the PRB's workforce, one could emerge rapidly with the departure of even one key employee. Due to the highly specialized nature of pension and actuarial expertise, the labor market may not be as well suited to providing perfectly qualified replacements for the most senior positions in the agency. Successfully replacing key positions with new employees with specialized pension/actuarial expertise could be difficult. While pension/actuarial skills are scarce, they can be effectively developed within candidates with strong backgrounds in general financial analysis.

E. Strategic Workforce Plan

Skill Development: While the agency can continue to recruit future personnel with pension or actuarial expertise, an effective alternative would be the development of individuals with requisite financial and analytical skills. Development will help the agency overcome the scarcity of those specialized actuarial and pension skills in the labor market. Another focus for skill development is the encouragement of staff to use training opportunities to further already existing skill sets or to develop new skill sets.

Development Time: Due to the complexities of actuarial science found in pension review, development may require longer periods of training, perhaps exposure to several months of on-the-job experience. Understanding how to navigate the political and legislative environment is experience-driven, and will often take months and years to gain experience in those areas.

Preparing for Transition: The agency needs to improve documentation of strategic job descriptions, particularly with the executive director and program specialist positions, as well as critical job procedures. Specialized knowledge should be captured and translated into a procedural manual, or projected into the agency website and database software. This will leave an informational reference or knowledge base for future administrators in the agency.

The agency has instituted an employment section on the website to provide a means to cultivate qualified individuals for future employment requirements.

Salary Structure: The executive director was granted a salary increase by the 79th Legislature. The 80th Legislature granted state employees a 2% salary increase in fiscal year 2008 and an additional 2% in fiscal year 2009. In the past, the agency has experienced salary compression
among personnel serving the agency’s core services, as there was very little difference between the salaries of the agency’s executive director and the program specialists. Increases in the salaries of the current program specialists without an increase in the executive director position will likely perpetuate the situation again. Additional financial resources for salaries will be needed to successfully attract and retain qualified personnel for these positions, especially as new openings arise.

Retaining Valuable Personnel: Given the budgetary limitation of the agency, two key policies are in place to retain valuable personnel. First, the flexibility of assignment allows staff members to pursue areas of interest to them while working within the needs of the agency. With staff able to match agency goals with their own professional goals, the ability to retain valuable personnel will be strong. The second policy is the flexibility of schedules which allows staff to maintain a firm work-life balance essential for retaining valuable personnel.
The PRB has participated in the Survey of Organizational Excellence. Out of 11 employees who were invited to take the survey, 10 responded resulting in a 91% response rate for the agency. An analysis comparing the agency with other organizations participating in the survey indicated the agency scores on par with the benchmarks for similar size organizations, while the agency exceeded the scores of organizations with a similar mission.

The survey found the agency areas of substantial strength in Empowerment, External, Change Oriented, Diversity, and Fairness. PRB employees’ thinking about how the organization responds to external influences was positive. Employees were deemed able to quickly relate its missions and goals to environmental changes and demands. The high score in External which reflects how information flows from inside the organization to external constituents reveals that, in the employees’ view, the agency communicates well with other organizations. The organization was viewed as vital, vigorous and able to respond well to changes and opportunities. The work setting, work teams, and the supervisory process were seen as positive and fair and promotion, work assignments, and hiring were viewed as sound and ethical.

Areas of concern and employee frustration surfaced in the areas of Fair Pay, Physical Environment, Availability, Quality, and Benefits. These areas are being addressed as employees have been encouraged to speak freely about their concerns and to make suggestions to improve the agency operations. During an individual’s performance review, employees are also given an opportunity to discuss the overall work situation and evaluate ways to improve their personal development within the agency budget constraints. All employees are afforded the opportunity to participate regularly in training classes offered by the Comptroller’s office.