



# STATE PENSION REVIEW BOARD



STRATEGIC PLAN

2015-2019

PENSION REVIEW BOARD

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AGENCY STRATEGIC PLAN  
FOR THE FISCAL YEARS 2015-2019

PENSION REVIEW BOARD

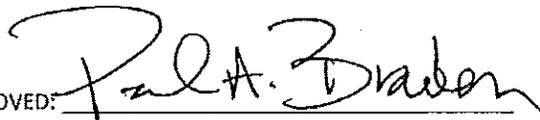
<u>BOARD MEMBER</u>	<u>TERM EXPIRES JANUARY 31</u>	<u>HOMETOWN</u>
PAUL A. BRADEN, Chair	2015	Dallas
J. ROBERT MASSENGALE, Vice-Chair	2017	Lubbock
ANDREW W. CABLE	2019	Wimberley
LESLIE GRECO-POOL	2015	Eules
WAYNE R. ROBERTS	2015	Austin
ROBERT M. MAY	2019	Austin
KEITH W. BRAINARD	2019	Georgetown

DATE OF SUBMISSION: June 23, 2014

SIGNED:

  
Christopher D. Hanson, Executive Director

APPROVED:

  
Paul A. Braden, Chair

DATE APPROVED: June 23, 2014



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## **Statewide Vision**

Working together, we must set clear priorities that will help maintain our position as a national leader now and in the future by:

Ensuring the economic competitiveness of our state by adhering to principles of fiscal discipline, setting clear budget priorities, living within our means, and limiting the growth of government;

Investing in critical water, energy and transportation infrastructure needs to meet the demands of our rapidly growing state;

Ensuring excellence and accountability in public schools and institutions of higher education as we invest in the future of this state and ensure Texans are prepared to compete in the global marketplace;

Defending Texans by safeguarding our neighborhoods and protecting our international border; and

Increasing transparency and efficiency at all levels of government to guard against waste, fraud, and abuse, ensuring that Texas taxpayers keep more of their hard-earned money to keep our economy and our families strong.

## **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 State 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 Benchmarks**

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

### **The Mission Statement of the 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. The mission of the PRB is to provide the State of Texas with the necessary information and recommendations to help 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 retirement systems.

### **The Philosophy of the 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 by providing information and recommendations to help 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 Pension Review Board

### I. Overview of Agency Scope and Functions

#### A. Statutory Basis

The State Pension Review Board (the “Board” or 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 retirement 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, including 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 a 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. Additionally, the Board is charged to develop and administer an educational training program for trustees and system administrators of Texas public retirement systems. The Board is also authorized to develop and conduct training sessions, schools, or other educational activities. The Board can furnish other appropriate services such as actuarial studies or other requirements of systems and can establish appropriate fees for these activities and services.

#### B. Historical Perspective

The 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 its 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 Population

The PRB service population consists of the current and future members, administrators, and trustees of approximately 337 individual public retirement systems, as well as 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 preparing actuarial



impact studies on proposed legislation and providing educational services to the trustees and system administrators of Texas public retirement systems. Though the PRB does not have the authority to level civil or criminal penalties, the PRB has been given the power to inspect records, issue subpoenas, and file appropriate pleadings for writs of mandamus to compel the plans to comply with reporting requirements.

## **II. Organizational Aspects**

### **A. Board Members**

The Board is composed of seven members. The Governor, with the advice and consent of the Senate appoints seven members with the following qualifications or experience: three persons who have experience in the fields of securities investment, pension administration, or pension law and are not members or retirees of a public retirement system; one active public retirement system member; one retired public retirement system member; one person who has experience in the field of governmental finance; and one actuary.

### **B. Staff**

The PRB has 13 employees including the executive director. The agency is authorized for 15 total full time equivalents (FTEs), but funding is available for only 14, and one position is currently vacant. Through its limited number of employees, the PRB has tried to increase staff expertise to allow 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 sophisticated, the PRB staff provides a high quality of work for Texas public retirement systems, their administrators, trustees and members.

### **C. Organizational Structure**

The PRB is comprised of seven board members and is organized as depicted in the organizational chart attached as **Appendix B**. The executive director, selected by the members of the PRB, manages the day-to-day operations of the agency and provides oversight for all programs and activities. The agency is organized based on two main work areas: operational and analytical.

#### **Operational**

##### **Administrative Division**

The administrative division is responsible for document management, records retention, managing customer contact information, and providing all necessary administrative support for the agency. The administrative division's responsibilities also include the agency functions related to accounting and human resources, such as managing the expenditure of appropriated funds, purchasing and property management, coordinating board member travel, and the management of personnel files.

#### **Analytical**

##### **Finance Division**

The finance division is responsible for reviewing financial and actuarial plan information, examining investment reports, performing cash flow and solvency analysis, conducting studies of



current investment topics, and reviewing systems' investment policies. The finance division is also responsible for evaluating compliance with the PRB's "Guidelines for Actuarial Soundness" and providing in-depth actuarial review of system actuarial valuations, overseeing the actuarial analysis process, and providing actuarial reviews during the Legislative session.

**Policy Division**

The policy division is responsible for the development and review of agency policies and procedures, agency reports to other state agencies and legislative oversight bodies, and reviewing state and federal laws and their impact on Texas pension plans. The policy division is also responsible for coordinating the agency's educational programs, technical assistance, and compliance with relevant state laws, agency rules and policies.

**D. Public Perception**

The PRB conducted an annual external assessment of the services provided by the agency in April through May 2014. The agency sent out requests to 449 customers to complete the customer service survey online and the participants remained anonymous.

Overall, the results of the survey indicate that the PRB customers were satisfied with the services received. The agency's 2014 Customer Service Report was submitted to the Governor's Office of Budget, Planning & Policy and the Legislative Budget Board on May 30, 2014. The report has also been posted on the agency's website.

**E. Location of the Agency**

The PRB occupies approximately 3,000 square feet of office space in the William P. Clements Building located at 300 West 15<sup>th</sup> Street, Austin, Texas. The agency does not have any field offices.



### III. Fiscal Aspects

#### A. Budget

Method of Finance	Fiscal Year Appropriations					
	2010	2011	2012	2013	2014	2015
General Revenue(GR)	\$742,968	\$692,968	\$694,002	\$694,001	\$880,846	\$835,845
Salary Increase	\$0	\$0	\$0	\$0	\$5,772	\$12,800
GR Reduction	-\$46,932	-\$42,189	\$0	\$0	\$0	\$0
Grand Total	\$696,036	\$650,779	\$694,002	\$694,001	\$886,618	\$848,645

Fiscal years 2014-2015 appropriations for the PRB totaled \$1,735,263. The funding source for the appropriations is the General Revenue Fund. Of the agency's appropriations for FY 2014-2015, nearly 90% is dedicated to salaries and wages. The agency is authorized for 15 full-time equivalents (FTEs) with funding available for 14 FTEs; two FTEs were added to the agency through budget riders for House Bill 13 and Senate Bill 200, passed by the 83<sup>rd</sup> Texas Legislature.

#### B. Method of Finance

The agency receives funding from the General Revenue Fund. The agency has authority to collect appropriate fees for educational training programs and seminars, with estimated receipts to fund the actual costs to conduct the educational sessions. Previously, a portion of the fiscal year 2008 and fiscal year 2009 budget was taken from the PRB Fund No. 662. The 662 Fund was established in Chapter 801 of the Government Code to allow for voluntary contributions made by Texas public retirement systems; however, the PRB no longer solicits or collects voluntary contributions from the retirement systems. No federal funds are received and/or allocated to the PRB.

#### C. Other States Comparison

The oversight of public retirement systems in other states generally falls into two categories: pension/retirement commissions and legislative oversight committees. Approximately two dozen states have commissions where the responsibilities and duties include the administration of public retirement systems, 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 retirement systems 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. PERAC's projected budget for 2014 is approximately \$7.8 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 approximately 13 staff members and has a biennial budget of approximately \$3.3 million.



#### **D. Budgetary Limitations**

Although the agency budget increased in the current biennium, budget limitations continue to be an area of concern. Budget increases correspond with new programs and additional agency workload; the 83<sup>rd</sup> Legislature directed the PRB to develop and administer an educational training program for trustees and administrators of public retirement systems. The agency received additional funding; however, \$30,000 of the agency requested General Revenue funding for FY 2015 was not provided in the form of General Revenue. The agency's Appropriated Receipts were increased by \$30,000 for FY 2015 instead. This funding was intended for agency staff salaries related to the new program, which cannot be funded by Appropriated Receipts.

Retaining experienced staff is also an ongoing issue. The agency is challenged to provide competitive staff salaries and may lose experienced staff that finds better paying positions elsewhere. Regardless of the situation, the agency is committed to continue to work on behalf of the State of Texas in fulfilling its duties.

The 83<sup>rd</sup> Legislature provided a 1% annual salary increase for fiscal year 2014 and a 2% annual salary increase for fiscal year 2015 for all general state employees. Also, the agency has been contributing an additional 0.5% of payroll to the Employees Retirement System of Texas (ERS) for retirement contributions during the 2014-15 biennium. Accordingly, the agency will request funding for the annual salary increases and the additional payroll contributions for the next 2016-17 biennium.

#### **IV. Service Population Demographics**

The service population of the PRB consists of the entire state with approximately 337 public retirement systems registered with the agency. Defined benefit plans make up about half of these plans and the other half are made up of defined contribution plans. The total net assets of the actuarially-funded defined benefit plans are approximately \$213 billion and total membership is over 2.3 million members. The eight statewide retirement systems serve approximately 2.1 million members and have assets of about \$180 billion. Within the last couple of years, the baby boomer generation has begun to reach retirement age; thus, the total number of retirees in Texas is expected to increase over the next two decades as these individuals leave the active workforce and enter retirement.

#### **V. Technological Developments**

The agency is undertaking additional technological initiatives due to enhanced agency operations mandated by the 83<sup>rd</sup> Texas Legislature. House Bill 13 added Section 801.211 to the Government Code related to a public retirement system educational training program. The section directs the PRB to develop and administer an educational training program for trustees and administrators of Texas public retirement systems. The agency is also required to develop a system to track compliance with those requirements. Accordingly, the agency is pursuing a twofold technological initiative. First, the agency is in the process of developing the PRB online training through a course authoring tool to develop content and a learning management system (LMS) to track the training courses completed by trustees and administrators. Second, the



agency is developing a new educational training database to track compliance with the new training requirements.

Based on the Sunset Advisory Commission's recommendation, the PRB abolished the quarterly reporting system (QRS). Retirement systems are no longer required to submit their quarterly plan reports through the QRS.

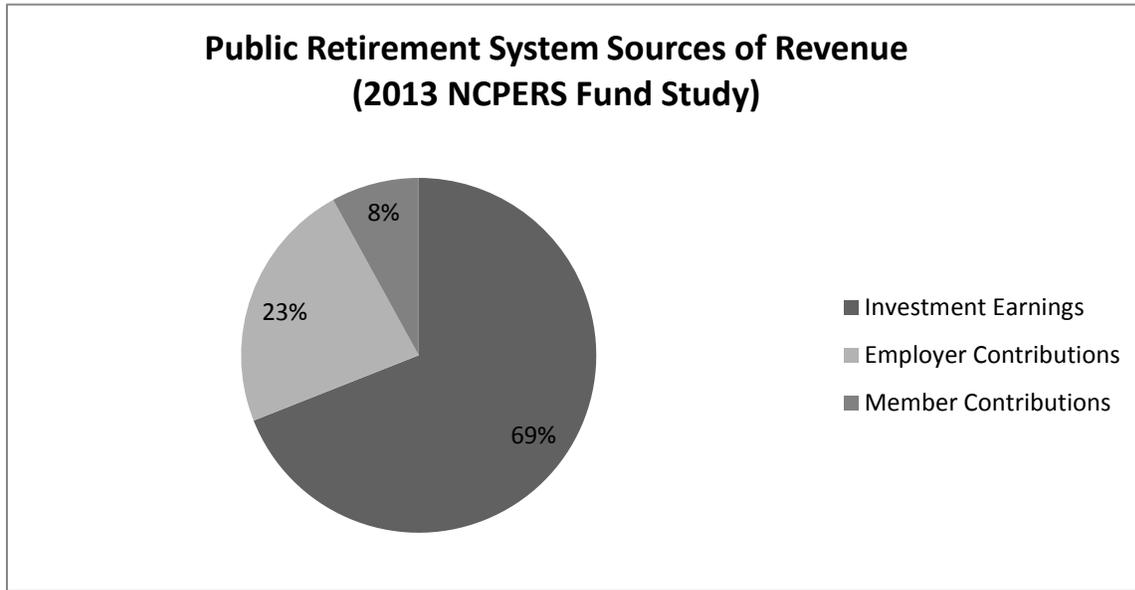
The agency updates its website on an ongoing basis. In response to the changes made by the 83<sup>rd</sup> Texas Legislature, including the amended reporting requirements, the agency re-organized the Resource Center section of the PRB website for Trustees and Administrators by adding new categories, including Plan Reporting Information; Best Practices/Ethics; Texas Local Fire Fighters Retirement Act (TLFFRA); Educational Training Program; Public Pension Search Tool; and Research and Analysis. A separate web page for each category listed was created that contains information specific to that category. The website is aimed at providing greater access to the public to access this information.

Also, to promote transparency and open government, the PRB continues its online data partnership with the office of the Texas Comptroller of Public Accounts, known as the *Public Pension Search Tool*, whereby the PRB provides the Comptroller's Office with the most recent financial and actuarial data received from Texas public retirement systems as required under Section 801.209(a) of the Government Code.

## **VI. Economic Variables**

Economic variables significantly affect the funded status and the long term viability of public pension plans. In general, defined benefit public pension plans have three sources of funding: earnings on investments, employer contributions, and member contributions. The ratio of these funding sources relative to the benefits paid to plan participants determines the overall health of a pension plan.

The 2013 Annual Public Retirement System Study conducted by the National Conference on Public Employee Retirement Systems (NCPERS) reviewed 241 state and local government pension funds and analyzed the most current data available on various aspects of the funds. The Study found that investment returns provided the largest funding source to pension funds, generating 69% of earnings, followed by employer contributions at 23%, and member contributions at 8%.



Source: National Conference of Public Employee Retirement Systems (NCPERS) and Cobalt Community Research 2013 Public Fund Study

Investment earnings make up the bulk of public retirement system cash flow and are largely dependent on financial market activity. As a result, variance in annual investment earnings can substantially impact the funding status of public retirement systems. This was demonstrated by the negative impact of the 2008 stock market decline on the funding status of many public retirement systems. When investment earnings are inadequate to fund benefit payments, employer and member contributions must cover the shortfall.

Investment Earnings - The investment of fund assets and the income derived from the investments is the most significant contributor to the health of public retirement systems. When fund investments perform well, the additional income can help strengthen the financial health of a public pension fund, while poor investment performance can weaken the soundness of a public pension fund.

Review of the S&P 500 stock market index returns for the five years ending 2013 shows that since the 2008 decline, the equities market has exhibited a significant rebound. The rebound has helped to bring pension plan funded statuses back from post-recession lows.

S&P 500 Annual Returns	
Year	Annual Return
2008	-37%
2009	26%
2010	15%
2011	2%
2012	16%
2013	32%



The stock market gains of last couple of years have significantly improved the value of assets held by Texas public retirement systems since the market downturn of 2008. The total net assets on a market basis of Texas public retirement systems in 2009 were approximately \$169 billion which increased to approximately \$205 billion in 2012.

Employer Contributions/Tax Revenues - 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 retirement systems may be reduced or cut, leading to a deterioration of the financial health of a public pension fund.

The 2008 recession impacted the state and local tax revenues of governmental entities all across the U.S. including Texas. However, the Texas economy appears to be improving at a faster pace, primarily due to growth in the oil/natural gas and construction sectors. In March 2014 the Texas Comptroller's office reported that the state sales tax revenue totaled \$2.09 billion, an increase of 5.6% compared to March 2013. The Comptroller's office stated that, "this marks 48 consecutive months of sales tax growth." This indicates that Texas's local economy and tax revenue is in a much stronger position than it has been since the 2008 recession.

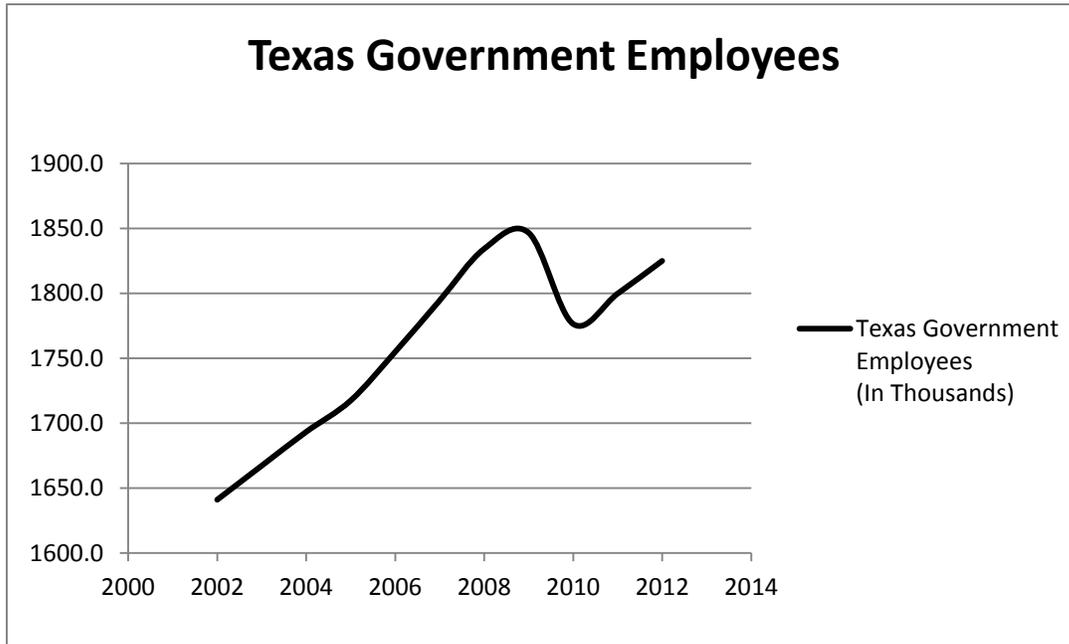
Despite local growth trends, large fiscal challenges still remain for state entities administering public pension funds. In addition to funding retirement benefits, public plans offering health care benefits will have to budget for ever increasing health care costs, which will continue to increase pressure on plan sponsors.

Member Contributions/Employment Levels - The level of employment affects public retirement systems in several ways, both directly and indirectly. The direct impact relates to the number of active members in a pension plan. 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 employment levels decline, the number of active members and total employee contribution amounts can decrease, leaving a public pension fund with a smaller contribution base.

The direct effect of reduced government hiring is a smaller contribution base for public pension plans due to fewer than expected new employees. Since pension plans receive a significant portion of funding from new employee contributions, reductions in new employees relative to current and retired pension plan members can put additional strain on the plan and the sponsoring entity, which may be required to pay funding deficits. In Texas, as a response to reduced tax revenues and budget cuts statewide, hiring in the public sector was significantly impacted. However, with a steady growth in Texas economy, employment has been growing in the public sector since 2012, as evidenced by the chart below. Additionally, according to the data provided by the Federal Reserve Bank of Dallas, government sector employment in Texas grew by 16.1% in 2014.



**Texas Government Total Employees, 2002 - 2013**



Source: Bureau of Labor Statistics, U.S. Department of Labor, 2014.

An indirect impact of the level of employment is more extensive. High levels of unemployment can have a negative impact on public pension funds. Level of unemployment is one of the economic indicators that the investors use to make their investment decisions and if that level is high, it reduces economic growth. In turn, a weak stock market affects the value of assets of public pension funds.

In general, there are two primary effects of high unemployment on the economy as a whole: lower Gross Domestic Product (GDP) and lower tax revenue for the government. A lower GDP is an economic indicator of how well the economy is doing and greatly impacts the stock market. High unemployment means lower tax receipts for the government, which as explained earlier, affects government budget and the sponsoring governmental entity’s ability to increase its contribution to recover the market losses incurred by the public pension funds.

Thus far, the U.S. economy appears to be on a path of recovery and the unemployment figures have gone down. The most recent data provided by the U.S. Department of Labor, indicate that the unemployment rate was 6.7 percent for April 2014.

The economic events of the 2008 downturn impacted the financial health of Texas public retirement systems. However, many of the state’s actuarially-funded defined benefit plans were well-funded prior to 2008, and were in a stronger position for recovery than other public retirement systems across the nation. Also, none of these plans faced any immediate solvency issues. The PRB will continue to work with the State’s public retirement systems, their sponsors, and the Legislature to address the critical issues to ensure that Texas’ public retirement systems continue to meet their future obligations.



## **VII. Federal Issues Affecting Public Pensions**

### **A. Governmental Accounting Standards Board**

The Governmental Accounting Standards Board (GASB) is an independent not-for-profit organization that establishes standards of accounting and financial reporting for U.S. state and local governments. While GASB's accounting and financial reporting standards are not federal laws or regulations, they are recognized by governments, the accounting industry, and capital markets as the official source of generally accepted accounting principles (GAAP) for state and local governments including public retirement systems.

Due to the applicability of GASB's accounting and financial reporting standards to public retirement systems' financial statement disclosures, the PRB closely monitors all GASB initiatives. As such, the agency followed closely the two exposure drafts released by GASB in June 2011 proposing changes to Statements No. 25, relating to public pension plan accounting and No. 27, relating to public pension plan sponsor accounting.

On June 25th, 2012, the Governmental Accounting Standards Board (GASB) approved two new standards relating to financial reporting for state and local defined benefit plans and defined contribution plans replacing Statements No. 25 and 27. According to GASB, the objective of the new Statements is to improve financial reporting by state and local governmental pension plans.

#### **Statement No. 67, Financial Reporting for Pension Plans**

This Statement replaces the requirements under GASB Statement No. 25, *Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures*. Statement No. 67 applies to pension plan reporting, and is effective for financial statements for fiscal years beginning after June 15, 2013.

#### **Statement No. 68, Accounting and Financial Reporting for Pensions**

This statement replaces the requirements under GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*. Statement No. 68 applies to pension reporting for the sponsoring state or local governmental entity, and is effective for fiscal years beginning after June 15, 2014.

The most significant change from the current to the new GASB Statements is the de-linking of pension accounting and funding. Current standards use the annual required contribution (ARC) to set the measurement for funding. The new standards eliminate this reporting requirement. According to the Plain-Language Article released by GASB in June, 2012, "The Board crafted its new Statements with the fundamental belief that funding is squarely a policy decision for elected officials to make as part of the government budget approval process." As a result, the funding policy may be implemented in accordance with the plan design, and requirements established by plan fiduciaries, sponsoring entities, and applicable governing law.

Additionally, under current standards, the sponsor's pension liability is the net pension obligation (NPO), and is measured as the difference between the actual contributions and the ARC. GASB's new standards state that the unfunded portion of a pension liability meets the definition of a liability, and therefore should be reported on the financial statements of the



sponsoring entity and the notes to the financial statements of the pension plan. This liability will be reported as the net pension liability (NPL), and will be measured as the total pension liability (TPL) net of the pension plan's assets.

Current standards also require the sponsor to report the annual pension cost (APC), measured as the ARC adjusted for interest on the NPO. The new standards require sponsors to report a pension expense. The pension expense (PE) will represent the change in the NPL from the beginning of the year to the end of the year, adjusted for the deferred recognition of gains and losses from actuarial assumptions, investment gains and losses, and recognition of actuarial assumption changes.

More information on Statements No. 67 and 68 can be obtained from the News Center section of the GASB website at <http://www.gasb.org/>.

### **B. Public Employee Pension Transparency Act**

On April 18, 2013, H.R. 1628 was introduced in the House of Representatives of the 113th U.S. Congress by Rep. Nunes (CA). The bill is entitled the Public Employee Pension Transparency Act (PEPTA) and has been referred to the House Committee on Ways and Means. On April 23, 2013, an identical bill, S. 779, was filed in the Senate by Sen. Burr (NC) and has been referred to the Senate Finance Committee. A similar bill, H.R. 6484, was filed by Rep Nunes in the 111th Congress, and was re-introduced by him as H.R. 567 in the 112th Congress. Both bills died without getting a hearing; whereas H.R. 567 was referred to a committee, H.R. 6484 never made it out of the House of Representatives.

The current version of the bill would amend the Internal Revenue Code to create a federal reporting structure for state and local public retirement systems. Among the requirements for filing, sponsors of state and local government employee pension plans would have to report specific financial information to U.S. Treasury Secretary. A state or political subdivision that is noncompliant with specified reporting requirements would be denied federal tax benefits for any bond issued until they comply with the reporting requirements. The bill would explicitly exempt the United States from liability for any current or future shortfall in any state or local government employee pension plan.

The potential impact of the legislation is significant for both Texas public retirement systems and their sponsoring governmental entities. The PRB was created in large part as response to the federal government's interest in pursuing ERISA-style legislation for state and local public retirement systems. Although some of the proposed reporting requirements are similar to those required under the enabling statute of the PRB, there are elements of the proposal which are vastly different from existing PRB reporting requirements; as well, there are elements of the proposal which are vastly different from current actuarial standards of practice.

## **VIII. Self-Evaluation and Opportunities for Improvement**

In recent times, the agency has witnessed an increase in its staff level to 14 employees which has helped improve staff expertise and allowed for more complex analysis of pension-related issues. As such, the agency has attempted to utilize this opportunity by branching out to assist



the pension plans and the Legislature in several different ways, including: expanding and strengthening educational services; increasing the continuing review of retirement systems by conducting trend, financial and actuarial analysis and comparative studies of Texas public retirement systems; and attempting to provide actuarial services to smaller plans at no cost to the plans. The smaller public retirement systems with limited resources will specifically benefit from these additional initiatives.

## **IX. Discussion of Current-Year Activities**

### **A. Educational Outreach**

One of the important statutory duties of the PRB is to provide educational services to its constituents. During the last year, the agency has undertaken major initiatives to fulfill this statutory obligation, and has further strengthened its commitment to educational outreach by engaging in the following additional endeavors:

**Research Papers:** Recently the policy debate on public pensions has garnered considerable interest across the nation and Texas. Access to accurate information is essential for policymakers as they weigh decisions impacting public pensions. To ensure that such information is readily available to policymakers and the public, the Board began publishing a series of white papers on public pension topics to provide an objective starting point for further deliberation.

In 2013, the Board adopted its second batch of white papers. The first, *Understanding the Basics of Actuarial Methods*, is designed to make the theories and language of actuarial methods related to public pensions in the State of Texas more understandable for public pension trustees, administrators, plan members, government officials, and taxpayers. The paper distinguishes between plans that use actuarial concepts in a limited fashion and those that rely on actuarial concepts more heavily; and discusses the fundamental equation of pension plan financing, different types of pension plans and how actuarial concepts apply more to certain types of plans, and gives examples to help understand these actuarial concepts.

The second paper, *Retirement Benefits in the Public and Private Sectors – A Comparison of Trends, Regulatory Environments, and Related Issues*, reviews factors influencing employer choice of retirement plans in the public and private sectors. It discusses the history of retirement benefits and the evolution of the public and private sector regulatory environments. It also identifies events affecting viability of defined benefit plans in the private sector, and discusses how recent events are shaping policy discussions for defined benefit plans in the public sector.

The agency staff will continue to conduct research relating to pension accounting, funding, economic issues and other significant topics, which will be included in future agency white papers.

**Actuarial Research:** With an actuary on staff, the agency is closely studying and analyzing the GASB's new standards contained in Statement No. 67 and 68, relating to financial reporting for state and local defined benefit plans and defined contribution plans. The agency is also analyzing the ASB's approved revisions to ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, and ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*.



**Website:** The PRB places a high priority on enhancing its educational outreach endeavors through extensive use of the agency website to offer pension-related resources that can be very helpful for PRB constituents, including public pension trustees, administrators, plan members, government officials, and taxpayers. Currently, information on the PRB website includes: Board policies; information on Board meetings including archived meeting videos, agendas, minutes and meeting packets; statutes and rules; copies of various agency publications and reports including the total net assets, non-compliant plans and actuarial valuation reports; PRB research papers; and other helpful pension-related resources.

Recently, the Resource Center section of the PRB website for Trustees and Administrators was re-organized by adding new categories, including Plan Reporting Information; Best Practices/Ethics; Texas Local Fire Fighters Retirement Act (TLFFRA); Educational Training Program; Public Pension Search Tool; and Research and Analysis. A separate web page for each category listed was created that contains information specific to that category. The website is aimed at providing greater access to the public to access this information.

**News Clips:** As part of the educational outreach program, the agency provides electronic weekly news clips service to its constituents. The purpose of the news clips service is to track and compile pension-related news items in Texas as well as across the country and to disseminate them to interested parties every week. The agency's mailing list for this service is continually expanding. Recently, the agency re-organized the structure of the news clips by streamlining its focus on four broad areas, namely: issues concerning PRB Plans; Texas Economic Indicators; National Economic, Pension, Investment & Banking Information; and Worldwide Economic, Pension, Investment and Banking Information. The agency's news clips service will be continually evolving to cover the issues that are of greatest concern to the agency's constituents.

## **B. Update on New PRB Charges Contained in House Bill 13, Senate Bill 200, and Senate Bill 220**

### **H.B. 13 by Callegari**

Educational Training Program: Section 2 of H.B. 13 added Section 801.211 to the Government Code. The section directs the PRB to develop and administer an educational training program for trustees and administrators of Texas public retirement systems. The PRB is to:

- a) establish minimum training requirements by September 1, 2014;
- b) develop a system to track compliance with those requirements beginning on or after January 1, 2015;
- c) issue a report on compliance in the PRB Biennial Report by November 30, 2016;
- d) accredit other training programs; and
- e) make training reasonably accessible over the internet.

The Board formed an educational training program working group comprised of three PRB members, and three representatives of the pension community to make recommendations to the PRB regarding the development and implementation of the program. The working group



met in October 2013 and January and April of 2014. The working group developed and the PRB has approved the following proposal establishing proposed minimum training requirements:

<b>Minimum Training Requirements Proposal</b>	
<b>Required Hours and Frequency</b>	
<b>NEW trustees and system administrators</b>	<ul style="list-style-type: none"> <li>• <b>Minimum of 7 hours of training within the first year of service.</b></li> <li>• The 7 hours must cover the entire core curriculum (see list of core and non-core topics below).</li> </ul>
<b>CONTINUING trustees and system administrators</b>	<ul style="list-style-type: none"> <li>• <b>Minimum of 4 hours of training every 2 years after their first year of service.</b></li> <li>• The 4 hours may be in core or non-core topics.</li> </ul>
<b>Required Content Areas</b>	
<b>Core Content</b>	<b>Fiduciary Matters, Governance, Ethics, Investments, Actuarial Matters, Benefits Administration, Risk Management</b>
<b>Non-Core Content</b>	<b>Compliance, Legal and Regulatory Matters, Pension Accounting, Custodial Issues, Plan Administration, Texas Open Meetings Act, Texas Public Information Act</b>

The PRB has also approved proposed rules relating to the Public Retirement System Minimum Educational Training Program to be published in the *Texas Register* for public comment on June 27, 2014.

Finally, the Board has begun developing its own online training in the core content areas and has also taken initial steps towards building a database for tracking systems' compliance with the new training requirements.

Financial Health Study: Section 7 of H.B. 13 directed the PRB to conduct a study of the financial health of public retirement systems in Texas, including each system's ability to meet its long-term obligations. The PRB is further directed to:

- prepare a written report, including recommendations regarding how a system may mitigate its risk of not meeting its long-term obligations, by September 1, 2014;
- provide any system covered in the report a reasonable opportunity to review the recommendations and submit a response; and
- issue a final report, including any plan responses and the Board's recommendations, to the Legislature by December 31, 2014.

The Actuarial Committee of the PRB has held four meetings, in November 2013, and January, April, and June of 2014 to examine the financial health of public retirement systems in Texas and prepare for conducting the study. Currently, the PRB is reviewing financial, actuarial, membership, benefit and governance information on Texas pension systems to evaluate each system's ability to meet its long-term obligations and identify underlying factors contributing to



risks of not meeting the obligations, and best practices that may mitigate the risk of not meeting the obligations.

Investment Returns and Assumptions Report: Section 6 of H.B. 13 added Section 802.108 to the Government Code requiring each public retirement system to submit within 210 days after the last day of the plan's fiscal year, an Investment Returns and Assumptions report that includes:

- gross and net investment returns for each of the most recent 10 fiscal years;
- the rolling gross and net investment returns for the most recent 1-year, 3-year, and 10-year periods;
- the rolling gross and net investment returns for the most recent 30-year period, or since the plan inception, whichever is shorter; and
- the assumed rate of return in the most recent actuarial valuation, and the assumed rate of return in the most recent 10 actuarial valuations.

The PRB adopted the form, *PRB-1000*, through rulemaking to assist the retirement systems in complying with this new reporting requirement.

Model Ethics and Conflict-of-Interest Policies: Section 2 of H.B. 13 added Section 801.210 to the Government Code which directs the PRB to develop and provide on the Board's website model ethical standards and model conflict-of-interest policies, including disclosure requirements, for voluntary use by a public retirement system by December 31, 2013.

The PRB adopted the Model Ethics and Conflict-of-Interest Policy for Texas Public Retirement Systems and published the model policy on the Board's website on December 19, 2013. In addition to the statutory minimum directive, the PRB created a separate Best Practices/Ethics page on the PRB website to provide helpful information and resources, including the PRB Model Ethics Policy, links to relevant Texas statutes, sample retirement system ethics policies, and other best practices resources, for retirement systems that wish to develop ethics and conflict of interest policies.

Compliance and Online Posting: Section 2 of H.B. 13 added Section 801.209 to the Government Code directing the PRB to post on the Board's website or another publicly available website that is linked to Board's website, the most recent data from the pension system reports. The PRB is also required to post on its website a list of non-compliant plans (plans that have failed to provide required reports within 60 days of due date). For each plan identified as non-compliant, the PRB shall notify the governing body of the political subdivision, and for statewide retirement systems, the PRB will notify the Governor and the LBB.

The PRB continues its online data partnership with the Comptroller of Public Accounts, known as the **Public Pension Search Tool**, whereby the PRB provides the Comptroller's Office with the most recent data as required under Section 801.209.

The PRB also posts on its website a list of non-compliant plans (over 60 days) and sends notices to the governing body of each system identified as non-compliant.

**S.B. 200 by Patrick/Nichols**

List of Scrutinized Companies Doing Business in Iran: Section 14 of S.B. 200 added Chapter 807 to the Government Code relating to the prohibition on investment in Iran. The chapter set new responsibilities for the PRB by requiring the agency to prepare and provide a list of scrutinized companies doing business in Iran to the statewide retirement systems by January 1, 2014. The list is required to be updated at least annually and the Board may rely on publicly available information. The PRB is to provide the list to the statewide retirement systems: Teacher Retirement System of Texas, the Employees Retirement System of Texas, the Texas County and District Retirement System, the Texas Municipal Retirement System, and the Texas Emergency Services Retirement System. A copy of the list must also be filed with the presiding officer of each house and the Attorney General.

The PRB adopted a procedure for maintaining the list of scrutinized companies and provided the list to the statewide retirement systems on December 30, 2013. In accordance with Chapter 807, a copy of the list was provided to the Speaker, Lieutenant Governor, and Attorney General in January 2014.

Negotiated Rulemaking and Alternative Dispute Resolution Procedures: Section 6 of S.B. 200 added Section 801.2012 to the Government Code directing the PRB to develop and implement a policy to encourage the use of negotiated rulemaking and alternative dispute resolution (ADR) in conformity with the model guidelines established by the State Office of Administrative Hearings (SOAH). Accordingly, the PRB adopted an ADR policy on August 28, 2013.

PRB Training: Section 7 of S.B. 200 added Section 801.208 to the Government Code authorizing the board to develop and conduct online training sessions and other educational activities for trustees and administrators of public retirement systems. These training provisions are related to the educational training program requirements contained in House Bill 13. To implement these provisions of H.B. 13, the PRB has approved the minimum training requirements and in conjunction has begun developing its own online training for trustees and system administrators.

**S.B. 220 by Birdwell/Nichols**

PRB Duties for TLFFRA Systems: S.B. 220 amended the Texas Local Firefighters Retirement Act (TLFFRA), contained under Article 6243e of Vernon's Texas Civil Statutes, by adding Section 18B directing the PRB to provide technical assistance, training, and information to TLFFRA systems, with training designed to meet the needs of small to medium-sized TLFFRA systems. Also, to the extent resources are available, the PRB was directed to designate one person to provide assistance to TLFFRA systems. S.B. 220 also amended the process for appealing TLFFRA board decisions, with the PRB receiving appeals and referring them to the State Office of Administrative Hearings (SOAH).

Technical Assistance and Information: As of September 1, 2013, the PRB designated one staff member to work as the TLFFRA program specialist and notified all TLFFRA systems of this designation. The agency has been continually providing technical assistance and information to



the TLFRA systems on various issues, including service verification; questions relating to the TLFRA statute; and assisting the systems with the new reporting requirements.

TLFRA Training: The PRB also worked with the TLFRA systems to present at their trustee training in May 2014; the PRB presented at the 2013 Annual TLFRA conference in Lubbock and is working with organizers to do so again at the 2014 Annual TLFRA conference in Lufkin. Additionally, the PRB produced an updated version of the TLFRA statute (Article 6243e) and provided copies to the TLFRA systems at the May 14 trustee training.

TLFRA Appeals to SOAH: The PRB approved a Procedure for Referral of TLFRA Appeals to SOAH and a TLFRA Notice of Appeal Form for the convenience of TLFRA systems and their members.

TLFRA Webpage: The agency has created a TLFRA-specific page on its website that includes information for TLFRA systems.

### **C. 2013 Legislative Session Training**

In February 2013, the agency conducted a legislative training sessions in Austin for the legislative staff, Legislative Budget Board, Governor's office, public retirement systems, and other interested parties. The training sessions were held at the Capitol and the topics included basic actuarial methods, pension plan financing, and actuarial impact statement process.

### **D. Compliance**

The PRB has made significant progress towards improving the process of tracking plan compliance and in assisting plans with meeting the agency's reporting requirements. In addition to the reminder letter that is sent to plans 60 days prior to the report due dates, the agency has implemented a second letter that goes out 15 days prior to the due dates. There are also letters of enforcement that are sent 15 days and 45 days after the plan's due date. The agency has found that these letters have improved plan compliance. Plan compliance is tracked using the agency's actuarial and financial database.

The PRB also posts on its website the list of non-compliant plans over 60 days and has been sending notices to the governing body of each system identified as non-compliant over 60 days.

System Communication and Outreach: In response to the various changes made by the 83rd Texas Legislature through House Bill 13, Senate Bill 200 and Senate Bill 220, the PRB has been making significant efforts to communicate and educate the retirement systems regarding the legislation. The PRB has been regularly issuing memorandums to the systems updating them on the working group and actuarial committee meetings, and reporting requirement changes, including the requirement for the retirement systems to post online any reports sent to the PRB.

Also, the PRB has started webcasting its board meetings live to provide PRB constituents the option of watching the meeting live from a computer or smart phone with internet connection wherever they are. The agency has also been archiving the webcasts on its website.



### **E. Reports to the Legislature**

During the 83<sup>rd</sup> Legislative Session, the agency submitted a report to the House Committee on Pensions. Among other things, the report analyzed the overall financial health of the Texas public retirement systems and included analyses on the solvency, cash flow ratios, assets, and actuarial soundness of the systems.

### **F. 83<sup>rd</sup> Legislative Session**

The 83<sup>rd</sup> Session of the Texas Legislature convened on January 8, 2013 and adjourned on May 27, 2013. During the session, the PRB tracked 90 bills and companions pertaining to Texas public retirement systems. The PRB issued 75 formal impact statements to the LBB regarding the actuarial effect of these bills, companions, and substitutes on public retirement systems. The Governor called three Special Sessions of the 83<sup>rd</sup> Texas Legislature; however, pension legislation was not one of the topics addressed during the Special Sessions. The following is a list of some of the pension-related legislation passed during the regular session tracked by the PRB:

State Pension Review Board and Public Retirement Systems – H.B. 13

Employees Retirement System of Texas (ERS) – S.B. 1459

Teacher Retirement System of Texas (TRS) – H.B. 3357, S.B. 1458, S.B. 1812

Texas Emergency Services Retirement System – S.B. 220

El Paso Firemen and Policemen’s Pension Fund – S.B. 1133



## 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 sound

Currently, 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 15 to 25 years. This measure of actuarial soundness represents one of five Guidelines for Actuarial Soundness originally adopted by the PRB, on September 5, 1984. The current guidelines updated and adopted September 28, 2011 state:

1. The funding of a pension plan should reflect all plan obligations and assets.
2. The allocation of the normal cost portion of the contributions should be level or declining as a percent of payroll over all generations of taxpayers, and should be calculated under applicable actuarial standards.
3. Funding of the unfunded actuarial accrued liability 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 not to exceed 40 years, with 15 - 25 years being a more preferable target. Benefit increases should not be adopted if all plan changes being considered cause a material increase in the amortization period and if the resulting amortization period exceeds 25 years.
5. The choice of assumptions should be reasonable, and should comply with applicable actuarial standards.

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 public retirement systems. For instances, where a retirement system does not meet the PRB Guidelines, the Board created the policy for "Determination of System Actuarial Review" to provide a formal process to identify and address such system's potential problems. The Policy adopted on September 28, 2011 state:

1. All actuarial reports received by the Pension Review Board (PRB) will be reviewed by the staff actuary in order to determine if the public retirement system is within the PRB "Guidelines for Actuarial Soundness."
2. If the staff actuary determines the system is not with the "Guidelines", a report detailing why the system is not meeting the "Guidelines" will be submitted to the executive director and board actuary.
3. If the board actuary concurs with the determination of the staff actuary, the executive director will notify the system of this determination in writing. The system will be



requested to keep the PRB informed of any corrective action being considered or taken to meet the “Guidelines”.

4. Any system determined to not be meeting the “Guidelines” will be placed under further staff review for further risk assessment. The staff may contact the system’s actuary, chief executive, and plan sponsor to conduct staff reviews. The executive director and staff actuary will report findings to the board actuary.
5. The board actuary may recommend a system be placed under the review of the actuarial committee of the PRB. If a system is recommended as such, the findings of the staff review will be presented at the next meeting of the actuarial committee. The system and plan sponsor will be notified of the committee review and may appear before the committee for further discussion and review.
6. Upon the recommendation of the committee, a system and plan sponsor may be asked to appear at a regularly scheduled meeting of the PRB. If such recommendation is made, the system will be notified in writing.

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

Percent of Plan Administrators, Trustees, Members of Public Pension Funds, and Other Constituents Satisfied with PRB Educational Services
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The percent of plan administrators, trustees, members of public pension funds, and other constituents satisfied with PRB educational services is determined through the agency Customer Service Survey. This is the number of surveyed plan administrators, trustees, and members of Texas public pension funds that expressed satisfaction with the PRB programs divided by the total number of surveyed plan administrators, trustees, and members of Texas public pension funds that expressed an opinion with the PRB programs.

The PRB staff also provides technical assistance to administrators, trustees 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:** Provide information and recommendations to help ensure that actuarially-funded defined benefit 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.

<b>OBJECTIVE</b>	<b>STRATEGY</b>
<ul style="list-style-type: none"> <li>• Outcome Measure</li> </ul>	<ul style="list-style-type: none"> <li>• Output Measures</li> </ul>
<p><b>01-01</b> To determine the actuarial and/or financial condition of all actuarially-funded defined benefit Texas public retirement systems registered with the State Pension Review Board such that 95 percent of these systems are actuarially sound by the end of fiscal year 2025; and to monitor reporting requirements so that 85 percent of these systems are in compliance each year.</p>	<p><b>01-01-01</b> Conduct reviews of Texas public retirement systems</p> <p>01-01-01.01 Number of compliance actions initiated</p> <p>01-01-01.02 Number of reviews completed</p> <p><b>Efficiency Measure</b></p> <p>01-01-01.01 Percent of reports filed within time frames after non-compliance notice</p>
<p>01-01.01 Percent of actuarially-funded defined benefit Texas public retirement systems that are actuarially sound.</p>	<p><b>Explanatory/Input Measures</b></p> <p>01-01-01.01 Number of Public Retirement Systems registered with the State Pension Review Board</p> <p>01-01-01.02 Estimated value of net Investments owned by Texas Public Retirement Systems (Billions)</p>
<p>01-01.02 Percent of public retirement systems in compliance with reporting requirements</p>	



**OBJECTIVE**

- Outcome Measures

**STRATEGY**

- Output Measures

**01-02** Each year through 2025, respond to 100 percent of requests by providing the information required and services needed by the PRB's service population to make informed decisions. Educate public employee retirement systems (PERS), the Legislature, and general public regarding public pension matters, including 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 training session participants satisfied

01-02.03 Percent of all constituents satisfied with educational services

01-02.04 Percent of Public Retirement System Trustees and System Administrators in Compliance with Minimum Training Requirements

**01-02-01** Provide technical assistance and educational services to public retirement systems, including retirement systems that are organized under the Texas Local Fire Fighters Retirement Act (Article 6243e, Vernon's Texas Civil Statutes); 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 PRB training sessions

01-02-01.03 Number of technical assistance reports produced by staff

01-02-01.04 Number of requests for technical assistance responded to by the agency



## Historically Underutilized Business Plan

A HUB is a for profit business that can be a sole proprietorship, partnership, joint venture, corporation, limited partnership or company with its principal place of business located in the State of Texas. HUBs must have at least 51% of the assets and interests of all classes of stock and securities owned by one or more persons who are members of the following groups that have been identified as economically disadvantaged: Native Americans, American Women, Black Americans, Hispanic Americans, and Asian Pacific Americans. HUB owners must be active participants in the business and also be citizens of the United States and residents of the State of Texas.

### HUB Goal

To establish procurement and contracting practices that support the promotion and utilization of qualified HUBs in all applicable procurements, contracts, and subcontracts made by the agency by an increase of at least 10% above the statewide average.

### HUB Objective

PRB will make a good faith effort to utilize HUBs in the procurement process of all goods and services; whenever applicable for any dollar amount. PRB will always strive to achieve and exceed the HUB Statewide goals whenever possible.

### HUB Strategy

- To implement good faith efforts to identify, solicit, and utilize qualified HUBs in all applicable procurement opportunities;
- To use the Centralized Master Bidders List (CMBL) to determine the availability of HUBs; and
- To utilize statewide contracts which are generated by the Comptroller of Public Accounts and Department of Information Resources when available. These contracts include HUB subcontracting sections in accordance with Texas Government code, Chapter 2161, Subchapter F for all contracts expected to exceed \$100,000 as well as provide other standard language and to provide greater efficiency for taxpayers.

<b>TOTAL % SPENT WITH HUBs</b>					
<b><u>FY 2013</u></b>		<b><u>FY 2012</u></b>		<b><u>FY 2011</u></b>	
<b>PRB</b>	<b>STATE</b>	<b>PRB</b>	<b>STATE</b>	<b>PRB</b>	<b>STATE</b>
18.3%	13.42%	25.4%	13.87%	14.49%	14.46%



### Technology Resource Planning

Technology Initiative	Related Agency Objective	Status	Anticipated Benefit(s)
Develop PRB online training, including a course authoring tool to develop e-learning content, a learning management system (LMS) to track the training courses completed by trustees and administrators, and explore the use of webinars to offer courses in core and non-core content areas of the Minimum Educational Training Program and disseminate other relevant pension-related information	Objective 2: Educate and provide technical assistance to Legislature and public retirement systems	Planned	Fulfill the agency's statutory mandate to develop and administer an educational training program for trustees and system administrators (contained in §801.211 of the Texas Government Code) and expand the ability of the agency to furnish educational services in a cost efficient manner
Educational Training Compliance Database	Objective 2: Educate and provide technical assistance to Legislature and public retirement systems	Planned	Fulfill the agency's statutory mandate to track compliance with the minimum educational training requirements contained in §801.211 of the Texas Government Code
Explore the use of social media to enhance agency communication with retirement systems, other stakeholders and the public	Objective 2: Educate and provide technical assistance to Legislature and public retirement systems	Planned	Increase educational outreach, improve transparency, and respond to the needs and demands of constituents quickly



<p>Continue to improve the ease and accessibility of the agency website, including the development of a site map</p>	<p>All Objectives</p>	<p>Ongoing</p>	<p>Increase educational services, improve transparency, further the core mission of the agency, and respond to the needs and demands of constituents in a cost efficient manner</p>
<p>Agency's partnership with the Texas Comptroller of Public Accounts to post searchable pension-related high-value public data</p>	<p>Objective 2: Provide electronic access to public pension data</p>	<p>Completed</p>	<p>Improve public knowledge of the agency and its operations; further the core mission of the agency; and improve transparency</p>



# APPENDICES



## **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 few years, outlines the activities undertaken by the agency and plots the future course of the agency.

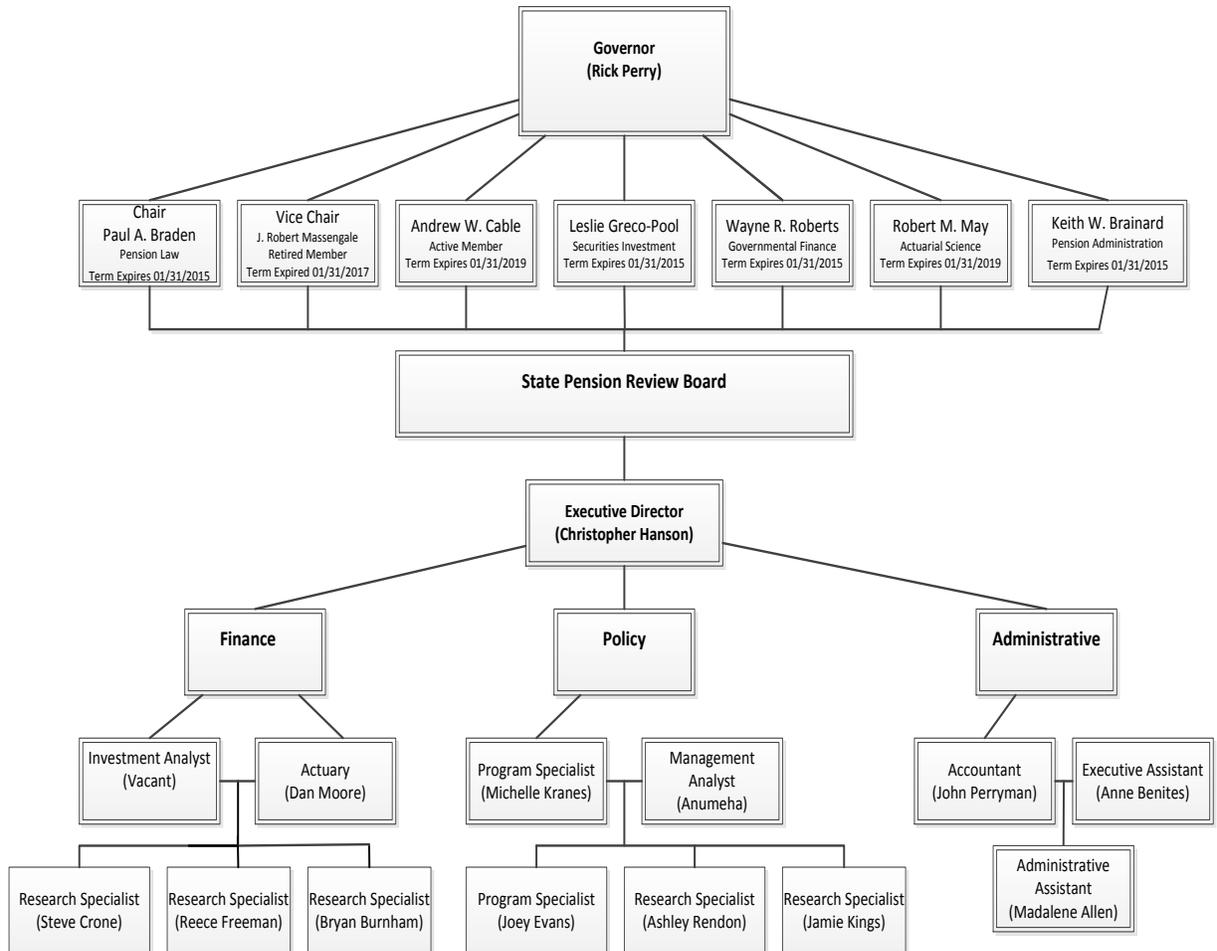
The first step involved in the agency's planning process to develop the new Strategic Plan was a review of the 2013-2017 Strategic Plan to determine where changes to the agency would need to be reflected in the new Plan. Senior staff and the executive director studied PRB duties outlined in Chapter 801 of the Government Code, current PRB activities, performance measures, and the current 2014-2015 budget to identify relevant information necessary to develop a new Strategic Plan. Additionally, in April through May 2014, the PRB conducted an external assessment in the form of a Customer Service Survey that included questions on PRB service areas, staff, communications, the agency's website, timeliness and printed information. The survey also allowed respondents to add general comments and/or suggestions for each question and provide additional comments with regard to PRB services, resources and research that they would want the PRB to focus on in the future.

Thereafter, the staff consulted with the Board members and conducted staff meetings to discuss the agency's long-term goals and objectives.

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 the agency's future role.



## APPENDIX B - Organizational Chart





**APPENDIX C - Five-Year Projections for Outcomes**  
**Fiscal Years 2015-2019**

<b>Outcome</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Percent of Systems That Are Actuarially Sound	98	98	98	98	98
Percent of Systems in Compliance with Reporting Requirements	90	90	90	90	90
Percent of Legislative and System Requests Answered	100	100	100	100	100
Percent of Training Session Participants Satisfied	95	95	95	95	95
Percent of All Constituents Satisfied with PRB Educational Services	98	98	98	98	98
Percent Trustees, Administrators Complying W/Minimum Training Requirements	100	100	100	100	100



## APPENDIX D - Performance Measure Definitions 2016-2017 Biennium

### OUTCOME MEASURES

#### **Percent of Actuarially-Funded Defined Benefit Texas Public Retirement Systems that are Actuarially Sound**

Definition: An actuarially funded defined benefit public retirement system is considered actuarially sound if the plan is in accordance with the most current Guidelines for Actuarial Soundness as adopted by the State Pension Review Board.

Purpose/Importance: The purpose of this measure is to ensure that the actuarially funded defined benefit plans registered with the PRB are actuarially sound and the benefits are equitably distributed with minimum expenditure of taxpayer dollars. This measure is important because it determines the potential number of actuarially-funded defined benefit plans that may be facing existing or imminent problems that could threaten the actuarial soundness of such plans.

Source/Collection of Data: Actuarial valuations of active defined benefit plans are the source of these data and the agency's actuarial and financial database tracks this number. Each actuarial valuation that is submitted to the PRB is reviewed by the PRB staff to determine the actuarial soundness of a public retirement system.

Method of Calculation: The number of actuarially funded defined benefit plans considered to be actuarially sound under the PRB's Guidelines for Actuarial Soundness divided by the total number of actuarially funded defined benefit plans.

Data Limitations: This number does not take into account the different actuarial valuation methodologies employed by actuaries.

Calculation Type: Non-cumulative.

New Measure: No.

Desired Performance: Higher than target.

#### **Percent of Systems in Compliance with Reporting Requirements**

Definition: 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.

Purpose/Importance: The purpose of this measure is to determine the percentage of public retirement systems meeting their statutory reporting



requirement. This measure is important because the PRB requires the reports submitted by the public retirement systems to fulfill its statutory obligations.

Source/Collection of Data: The agency's actuarial and financial database is the source for this data.

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

Data Limitations: The agency depends on the retirement systems for timely filing of changes to investment policies, plan designs and board composition as the agency would otherwise be unaware of such changes.

Calculation Type: Non-cumulative.

New Measure: No.

Desired Performance: Higher than target.

### **Percent of Legislative and System Requests Answered**

Definition: This is the percentage of legislative and system 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.

Purpose/Importance: The purpose of this measure is to provide an indication of the responsiveness of the PRB staff to technical assistance requests. This measure is important because one of the charges of the PRB under its enabling statute is to provide technical assistance to its service population.

Source/Collection of Data: Technical assistance summary sheets are the source of this data. The information is entered into the technical assistance database including the type of assistance, identifying the number of legislative and system requests. The statistic is then compiled into a spreadsheet.

Method of Calculation: The number of legislative and system requests completed divided by the total number of legislative and system requests.

Data Limitations: The data is limited to requests that can be documented on paper. This excludes requests for information taken and answered over the phone.

Calculation Type: Non-cumulative.

New Measure: No.

Desired Performance: Higher than target.

### **Percent of Training Session Participants Satisfied**

Definition: The percentage of participants that express satisfaction with the training sessions.



Purpose/Importance: This measure is important because it is one of the indicators of the level of satisfaction with the training sessions' content provided by the PRB to its participants.

Source/Collection of Data: Participants who have registered and completed training sessions, either online or in person, are provided optional surveys to comment on various categories, including content and delivery. The staff of the PRB compiles and tabulates the results of the surveys in a spreadsheet.

Method of Calculation: This is the number of surveyed training session participants that expressed satisfaction with the PRB's training sessions' content divided by the total number of surveyed training session participants.

Data Limitations: Some training session participants do not complete the survey.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Higher than target.

#### **Percent of All Constituents Satisfied with Educational Services**

Definition: The percentage of plan administrators, trustees, members of Texas public pension funds, and other constituents satisfied with PRB educational services.

Purpose/Importance: The purpose of this measure is to determine the quality of educational services provided by the PRB to the administrators, trustees, and members of Texas public pension funds. This measure is important because it is a statutory duty of the PRB.

Source/Collection of Data: Plan administrators, trustees, members of Texas public pension funds, and other constituents receive an evaluation form annually to assess the performance of PRB educational services. The results from survey evaluations are compiled and tabulated in a spreadsheet.

Methodology: This is the number of surveyed plan administrators, trustees, members of Texas public retirement systems, and other constituents that expressed satisfaction with the PRB programs divided by the total number of surveyed plan administrators, trustees, members of Texas public retirement systems, and other constituents that expressed an opinion with the PRB programs.

Data Limitations: Some plan administrators, trustees, members of Texas public pension funds, and other constituents do not complete an evaluation form.

New Measure: No.

Desired Performance: Higher than target.



## **Percent of Public Retirement System Trustees and System Administrators in Compliance with Minimum Training Requirements**

Definition: This is the percentage of trustees and system administrators who meet the minimum training requirements as established by the State Pension Review Board rules and/or policies.

Purpose/Importance: Public retirement system trustees and system administrators are required to meet the minimum training requirements under Section 801.211 of the Government Code. Minimum training requirements are intended to help ensure that trustees and system administrators receive the necessary training to successfully discharge their duties. This measure is important because the PRB is required to track and report the level of compliance with the minimum training requirements by trustees and system administrators to the Legislature.

Source/Collection of Data: The agency's educational training program database is the source for this data.

Methodology: The measure is calculated by dividing the number of individual trustees and system administrators meeting the minimum training requirements, as established by PRB rules, by the total number of trustees and system administrators, as reported to PRB.

Data Limitations: The agency depends on the public retirement systems to timely report compliance with the minimum training requirements by their trustees and system administrators. The number of trustees may vary per plan, but the statute defines the system administrator as one person who oversees the plan, typically the Executive Director.

Calculation Type: Noncumulative.

New Measure: Yes.

Desired Performance: Higher than target.

## **EFFICIENCY MEASURES**

### **Percent of reports filed within time frames after non-compliance notice**

Definition: This is the percentage of pension systems that submit reports required under Chapter 802 within the established time period, as determined by PRB rules and/or policies, after notification of the system's non-compliant status.

Purpose/Importance: The purpose of this measure is to determine the effectiveness of the non-compliant notification process and in turn the PRB's efficient utilization of the said process to bring the public retirement systems in compliance with their statutory reporting requirements. This measure is



important because the PRB requires the reports submitted by the public retirement systems to fulfill its statutory obligations.

Source/Collection of Data: The agency's actuarial and financial database is the source of the data.

Method of Calculation: This is the total number of systems that submitted reports required under Chapter 802 within the prescribed time period, as determined by PRB rules and/or policies, after notification of the system's non-compliant status divided by the total number of systems that received a notification of the system's non-compliant status.

Data Limitations: N/A.

Calculation Type: Non-cumulative.

New Measure: No.

Desired Performance: Higher than target.

## **EXPLANATORY/INPUT MEASURES**

### **Number of systems registered with the State Pension Review Board**

Definition: This is the total number of active public retirement systems that are registered with the PRB.

Purpose/Importance: The purpose of this measure is to provide perspective on the number of constituents served by the PRB.

Source/Collection of Data: The agency's actuarial and financial database is the source of the data.

Method of Calculation: The total number of systems registered with the PRB.

Data Limitations: N/A.

Calculation Type: Non-cumulative.

New Measure: No.

Desired Performance: Higher than target.

### **Estimated value of investments owned by Texas Retirement Systems (Billions)**

Definition: The total estimated value of net assets of all actuarially funded defined benefit Texas public pension funds registered with the PRB.

Purpose/Importance: The purpose of this measure is to provide the total estimated value of net assets of all actuarially funded defined benefit Texas public retirement systems registered with the PRB.

Source/Collection of Data: The annual financial reports submitted by the plans registered with the PRB in accordance with the statutory requirements are the



source of these data. The information is entered into the agency's actuarial and financial database.

Method of Calculation: This is the sum of total net assets of the actuarially funded defined Texas pension funds registered with the PRB.

Data Limitations: The data limitation is twofold. First, the financial data required to calculate the net assets is at least 7 months old (could be more) at any given time because as per the statute the pension funds have 7 months after the close of their fiscal year to report the data. Second, some plans do not comply with the statutory requirement of submitting their financial report within 7 months after the close of the plan's fiscal year. Hence, the most current data available on file for the pension fund is used for reporting purposes.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Higher than target.

## **OUTPUT MEASURES**

### **Number of Compliance Actions Initiated**

Definition: All actuarially funded defined benefit Texas public pension plans are required by state law to submit certain annual reports to the PRB within 211 days of the end of their fiscal years. Using the agency's actuarial and financial 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.

Purpose/Importance: The purpose of this measure is to determine agency's efforts in keeping the public retirement systems in compliance with the state law. This measure is important because the PRB is charged under the state law to oversee the Texas public retirement systems by conducting reviews and compiling and comparing information based on the reports submitted by public retirement systems.

Source/Collection of Data: The agency's actuarial and financial database is the source of data.

Method of Calculation: The total number of written enforcement notifications to systems.

Data Limitations: N/A.

Calculation Type: Cumulative.

New Measure: Yes.

Desired Performance: Higher than target.



### **Number of Reviews Completed**

Definition: A review of a public retirement system includes the review of the plan design, financial reports, investment returns and assumptions report, investment policy, actuarial valuations, actuarial experience study, or actuarial audit.

Purpose/Importance: The purpose of this measure is to conduct a continuing review of public retirement systems and compile and compare information about benefits, creditable services, financing, and administration of system. This measure is important because it is a statutory duty of the PRB.

Source/Collection of Data: The agency's actuarial and financial database is the source of data.

Method of Calculation: The total number of reviews.

Data Limitations: N/A.

Calculation Type: Cumulative.

New Measure: Yes.

Desired Performance: Higher than target.

### **Number of Impact Statements Issued**

Definition: 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.

Purpose/Importance: The purpose of this section is to determine if the PRB is fulfilling its statutory obligation of providing the impact statements. This measure is important because the PRB is charged under the state law to prepare and provide the actuarial impact statements.

Source/Collection of Data: The PRB Legislative Calendar is the source of this number.

Method of Calculation: 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.

Data Limitations: N/A.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher than target.



### **Number of Persons Participating in PRB Training Sessions**

Definition: The number of people who register for and complete, either online or in-person, PRB training sessions. A PRB training session may include an individual online course or an in-person seminar.

Purpose/Importance: The purpose of this measure is to determine the number of constituents, including the administrators, trustees, and members of Texas public retirement systems served by the PRB with regard to expanding their knowledge base and education. This measure is important because the PRB is charged under the state law to provide educational services to its constituents.

Source/Collection of Data: Lists of persons registering and completing, either online or in-person, PRB training sessions.

Method of Calculation: The total number of people who register for and complete, either online or in-person, PRB training sessions.

Data Limitations: N/A.

Calculation Type: Cumulative.

New Measure: Yes.

Desired Performance: Higher than target.

### **Number of Technical Assistance Reports Provided by Staff**

Definition: 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.

Purpose/Importance: This measure is important because it determines the effectiveness of the agency in serving its constituents.

Source/Collection of Data: Technical assistance summary sheets are the source. The information is entered into the technical assistance database and tallied in a spreadsheet.

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

Data Limitations: The data is limited to requests that can be documented on paper. This excludes requests for information taken and answered over the phone.

Calculation Type: Cumulative.



New Measure: No.

Desired Performance: Higher than target.

### **Number of Responses to Requests for Technical Assistance**

Definition: The number of requests for technical assistance responded to by the agency.

Purpose/Importance: The purpose of this measure is to determine the amount of requests for technical assistance received by the agency. This measure is important because the agency is required under state law to provide technical assistance upon request.

Source/Collection of Data: Technical assistance summary sheets are the source of this data. The information is entered into the technical assistance database and tallied in a spreadsheet.

Method of Calculation: The total number of technical assistance reports produced by the PRB staff.

Data Limitations: The data is limited to requests that can be documented on paper. This would exclude requests for information taken and answered over the phone.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher than target.



## APPENDIX F - Workforce Plan

### 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; and
- development of a strategy to meet agency staffing requirements.

Update Agency Workforce Snapshot: The PRB currently has 13 staff including the executive director. Each of the FTEs reports to the executive director. The agency is authorized for 15.0 full-time equivalents (FTEs) with funding available for 14.0 FTEs and one vacant position. Two FTEs were added to the agency through budget riders for House Bill 13 and Senate Bill 200 passed by the 83<sup>rd</sup> Texas Legislature.

Agency Mission: The agency shall provide the State of Texas with the necessary information and recommendations to help ensure that our public retirement systems, whose combined assets total in the multi-billions, are financially sound; and 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 a 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. Additionally, the Board is charged to develop and administer an educational training program for trustees and system administrators of Texas public retirement systems. The Board is also authorized to develop and conduct training sessions, schools, or other educational activities. The Board can furnish other appropriate services such as actuarial studies or other requirements of systems and can establish appropriate fees for these activities and services.



The PRB service population consists of the current and future members, administrators, and trustees of approximately 337 individual public retirement systems, as well as state and local government officials, and taxpayers.

### **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
- Auditing
- Computer Research Skills
- Database Administration
- Data Analysis
- Event Planning
- Education and Training Delivery
- Financial Analysis
- Policy Analysis
- Investment Analysis
- Forecasting
- Human Resources
- Mathematical Modeling
- Office Management
- Political/Legislative Experience
- Risk Analysis
- Writing, Editing, and Research



Workforce Demographics:

Position	Skill Orientation	Sex	Race	Retirement Eligibility
Executive Director	Office Management, Political/Legislative Experience , Financial Analysis, Data Analysis, Risk Analysis, Writing, Editing, and Research	M	White	No
Executive Assistant	Event Planning, Board Secretary Administrative, Writing, and Editing	F	White	No
Actuary	Actuary, Financial Analysis, Mathematical Modeling, Forecasting, Risk Analysis, Writing, Editing, and Research	M	White	No
Policy Analyst	Political/Legislative Experience, Data Analysis, Financial Analysis, Writing, Editing, and Research	F	Asian	No
Program Specialist	Data Analysis, Computer Research Skills, Evaluate and Report on Plan Compliance	F	Hispanic	No
Program Specialist	Primary Point of Contact for TLFRA Plans, Data Analysis, Computer Research Skills, Evaluate and Report on Plan Compliance	M	White	No
Program Specialist	Implement Continuing Educational Training Program, Develop Online Training, Research Skills, Track Compliance	F	White	No
Administrative Assistant	Administrative, Research	F	White	Yes
Research Specialist	Computer Research Skills, Data Analysis, Policy Analysis	F	White	No
Research Specialist	Computer Research Skills, Data Analysis, Financial Analysis	M	White	No
Research Specialist	Computer Research Skills, Data Analysis, Financial Analysis	M	White	No
Research Specialist	Computer Research Skills, Data Analysis, Financial Analysis	M	White	No
Accountant	Accounting/Budgeting, Human Resources	M	White	No
Investment Analyst (Vacant)	Investment Analysis, Data Analysis, Computer Research Skills, Political/Legislative Experience, Writing and Editing			
		46% - F 54% - M	84% - W 8% - H 8% - A	8 % - Eligible 92 % - Not Eligible

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 statewide average because of the agency’s size



with only 14 budgeted FTEs. Recent years have seen the departure of senior staff whose expertise is not easily replaced.

### **C. Future Workforce Profile (Demand Analysis)**

Expected Workforce Changes: As a small state agency, recruitment and retention of staff is frequently a challenge, especially due to uncompetitive salary levels. Due to budget constraints, it is difficult for the agency to retain staff with pension-related expertise and problem solving skills. As the economy improves, it is likely that the agency may lose more talented staff to higher paying jobs in the future. The agency cross-trains staff to help minimize the impact of losing key personnel.

### **D. Gap Analysis**

A slight gap exists in the PRB's workforce due to an investment analyst position that is currently vacant. Also, substantial gaps might emerge rapidly in the future, 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 has created and implemented documentation of strategic job descriptions for all agency positions, including the executive director and actuary positions. Specialized knowledge, including financial and actuarial has been captured and translated into a procedural manual. This will leave an informational reference and knowledge base for future administrators in the agency. The agency has also 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 83<sup>rd</sup> Legislature. 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 financial analysts. 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 limitations on 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.



## APPENDIX G - Survey of Employee Engagement

The PRB participated in the Survey of Employee Engagement in the 2014 fiscal year. Out of 13 employees who were invited to take the survey, 11 responded resulting in an 85% response rate for the agency. The survey found that the agency's areas of substantial strength include constructs such as Strategic, External Communication, and Diversity. The Strategic construct reflects PRB employees' thinking about how the agency responds to external influences that should play a role in defining the organization's mission, vision, services, and products. Implied in this construct is the ability of the organization to seek out and work with relevant external entities. High scores indicate employees view the agency as able to quickly relate its mission and goals to environmental changes and demands. It is viewed as creating programs that advance the organization and having highly capable means of drawing information and meaning from the environment. The External Communication construct looks at how information flows into the agency from external sources, and conversely, how information flows from inside the organization to external constituents. It addresses the ability of PRB employees to synthesize and apply external information to work performed by the agency. High scores indicate that employees view their agency as communicating effectively with other agencies, its clients, and those concerned with regulation. The Diversity construct addresses the extent to which employees feel personal differences, such as ethnicity, social class or lifestyle. It examines how the agency understands and uses creativity coming from individual differences to improve PRB effectiveness. High scores indicate that employees view the diversity within the work setting, work teams, and supervisory process positively.

The survey found that the agency's areas of concern include constructs such as Pay and Information Systems. Survey suggests that pay is a central concern or reason for discontent. In some situations pay does not meet comparable salaries in similar organizations. In other cases individuals may feel that pay levels are not appropriately set to work demands, experience and ability. Cost of living increases may cause sharp drops in purchasing power, and as a result, employees will view pay levels as unfair. These areas of concern are being addressed as employees have been encouraged to speak freely about their concerns and to make suggestions to improve the agency operations at any time. 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 and New Horizons, which provides technology, applications, and business skills training for agency staff.

The Information Systems construct provides insight into whether computer and communication systems enhance employees' ability to get the job done by providing accessible, accurate, and clear information. The construct addresses the extent to which employees' feel that they know where to get needed information, and that they know how to use it once they obtain it. Average scores suggest that room for improvement exists and there is frustration with securing



needed information. To remedy information systems problems, the agency is conducting technical staff meetings on what software or equipment is needed to enhance PRB's information technology infrastructure.