

STATE PENSION REVIEW BOARD



STRATEGIC PLAN

2017-2021

PENSION REVIEW BOARD

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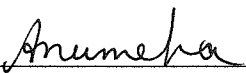
AGENCY STRATEGIC PLAN

FOR THE FISCAL YEARS 2017-2021

STATE PENSION REVIEW BOARD

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DATE OF SUBMISSION: June 24, 2016

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APPROVED: 

Josh B. McGee, Chair

Date Approved: 06/23/16



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AGENCY MISSION

The Pension Review Board (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.

Main Functions

The PRB acts in accordance with the highest standards of ethics, accountability, efficiency, and openness. The main functions of the PRB are to:

- Conduct a **continuing review** of all public retirement systems;
- Conduct **intensive studies** of potential or existing problems that threaten the actuarial soundness of public retirement systems;
- Provide **educational services** to the trustees and system administrators of Texas public retirement systems;
- Provide **information and technical assistance**;
- Recommend **policies, practices, and legislation** to public retirement systems and appropriate governmental entities; and
- Prepare **actuarial impact studies** on proposed legislation.

Organizational and Fiscal Aspects

Board and Staff

The Board is composed of seven members appointed by the Governor with the advice and consent of the Senate. The PRB members are experts in areas relating to public pensions and governmental finance.

The PRB is a small agency with limited number of employees. The agency currently has 12 employees including the executive director with two vacant positions. The agency is authorized for 15 total full time equivalents (FTEs), but funding is available for only 14. Due to the technical nature of public pensions, qualified and well-trained staff is paramount to fulfilling the agency's mission. Given the PRB's limited resources, staff recruitment and retention is the agency's greatest challenge.

Budget

Fiscal years 2016-2017 appropriations for the PRB totaled \$1,867,315. The funding source for the appropriations was the General Revenue Fund. Of the agency's appropriations for FY 2016-2017, nearly 90% was dedicated to salaries and wages.



AGENCY OPERATIONAL GOALS AND ACTION PLANS

Goal 1. Provide information, analysis, comparative data, technical assistance, and recommendations to help public retirement systems achieve and maintain actuarial soundness and be well-managed in their administration and investments, so that members receive their entitled benefits with a minimum expenditure of taxpayer dollars.

SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

- Review all required reports from systems, including Annual Financial Reports, Investment Returns and Assumptions Reports, Actuarial Valuations, Actuarial Audits, Experience Studies, Summary Plan Descriptions, and Investment Policies.
- Revise the PRB *Guidelines for Actuarial Soundness* to provide up-to-date funding standards to help ensure continued financial health of public retirement systems.
- Issue regular actuarial and financial reports to provide updates on the funding progress and financial health of public retirement systems.
- Provide technical assistance to the systems and their members, the Legislature, other agencies, and the public upon request.
- Promote transparency and public knowledge of Texas public retirement systems' long-term fiscal health, benefit structures, governance and other components by developing an interactive online dashboard for public pension data.
- Publish data-intensive reports such as the *Guide to Public Retirement Systems in Texas*. This is a compendium of general and comparative information on all actuarially funded systems and is published biennially. Similarly, the annual *Texas Local Fire Fighters Retirement Act (TLFFRA) Pension Report* includes actuarial, financial, and benefit information specifically for plans established under the Act.
- Prepare actuarial impact statements for legislation that would affect the benefits or liabilities of a public retirement system.
- Provide analysis and updates on public retirement systems to the Legislature.
- Create, maintain, and distribute the *List of Scrutinized Companies doing Business in Iran*.

HOW GOALS AND ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

1. Accountable to tax and fee payers of Texas.

The agency provides up-to-date information and recommendations to help public retirement systems achieve and maintain actuarial soundness so that members receive their entitled benefits with a minimum expenditure of taxpayer dollars.

2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.

The PRB performs continual reviews to help ensure that public retirement systems are actuarially sound and well-managed. The agency also provides the Legislature with current pension information as an aid during the Legislative Session.



3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.

The agency reviews reports as they are submitted, ensuring that the information is kept current. Technical assistance is provided by answering all inquiries from public retirement systems, the Legislature, other agencies, and the public. The PRB also produces actuarial impact statements during the Legislative Session to assess the financial impact of pension-related bills.

4. Providing excellent customer service.

The agency's strong emphasis on technical assistance and education supports this statewide objective through the prompt response to inquiries and complaints.

5. Transparent such that agency actions can be understood by any Texan.

The PRB responds to all requests made by its service population and makes certain to provide any and all information requested. The agency utilizes its website to provide a large amount of data concerning Texas public retirement systems, including its actuarial reports in an Excel format, which allows the end-user to fully utilize the data. The PRB is also considering developing an interactive online dashboard to provide public pension data in a searchable, user friendly format. Also, to allow for optimal availability of the information discussed during PRB meetings, the agency live streams and archives board meetings.



Goal 2. Conduct intensive studies of potential or existing problems that threaten the financial or actuarial condition of Texas public retirement systems.

SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

- Conduct intensive staff reviews of systems that may have problems threatening their financial or actuarial health by analyzing their current actuarial and financial data; historical trends in contribution sufficiency, cash flow, and investment returns; benefit structure; membership; and plan sponsors’ fiscal health.
- Report the results of intensive system reviews to the Board through the implementation of the Board's *Policy for Determination of System Actuarial Review*.
- Provide plan-specific reports, presentations, and analyses to the Board and the Legislature.
- Publish agency white papers regarding current issues in public pensions.

HOW GOALS AND ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

1. Accountable to tax and fee payers of Texas.

Agency staff carefully reviews retirement system and other relevant information, and utilizes the Board's *Policy for Determination of System Actuarial Review*, to raise warning flags regarding potential problems before they escalate.

2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.

The PRB staff collaborates with public retirement systems during their review process to provide valuable research and analysis that helps systems accurately assess and address funding issues.

3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.

The PRB continuously calculates the percent of actuarially funded defined benefit public retirement systems that are actuarially sound through the review of actuarial valuations. The PRB’s policies are updated appropriately in conjunction with revised state laws or other regulations to meet current industry best practices to help ensure long-term financial health of public retirement systems.

4. Providing excellent customer service.

The agency provides accurate information relating to its intensive studies to the systems, Legislature, and the general public. The PRB makes every effort to keep systems informed of each step during the staff review process.

5. Transparent such that agency actions can be understood by any Texan.

Following scrutiny of systems placed under review, the PRB prepares a list of systems subject to the formulation of the funding soundness restoration plan, as well as a list of systems that are at risk of becoming subject to the formulation of the plan. Reports provided to the Legislature and the agency’s Board are accessible on the PRB website for all interested parties.



Goal 3. Educate public retirement system trustees, administrators, members, the public, and the Legislature on public pension concepts, topics, trends, and issues.

SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

- Provide free online courses in core pension topics including Actuarial Matters, Fiduciary Matters, Ethics, and Investments and accredit sponsors of external training courses to assist system administrators and trustees with required training hours and educate system members, the Legislature, as well as the general public.
- Research important pension-related topics and publish white papers to educate stakeholders on those issues.
- Provide current pension-related resources through the agency website including best practices such as the *Model Ethics Policy*, investment policy guidance, and the *Guidelines for Actuarial Soundness* for all systems.
- Review and revise Minimum Education Training (MET) program rules through a transparent process involving stakeholder input.

HOW GOALS AND ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

1. Accountable to tax and fee payers of Texas.

The agency empowers retirement system trustees and administrators to make fully informed decisions as fiduciaries through high quality education. The agency also publishes links to industry best practices and other helpful resources on the PRB website.

2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.

The agency ensures access to high-quality education free of charge for trustees and administrators through the development of MET courses and the course and sponsor accreditation process. Staff processes course approval and sponsor accreditation requests in a timely manner.

3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.

The agency constantly works to improve the quality and accessibility of its educational offerings, and provides opportunities for feedback to facilitate high overall satisfaction with educational services.

4. Providing excellent customer service.

The agency provides free online education in public pensions topics through the agency’s website. The PRB also responds to numerous inquiries relating to education program requirements and offerings.

5. Transparent such that agency actions can be understood by any Texan.

All MET program-related material is readily available on the agency website, including a curriculum guide, forms, flowcharts, brochures, and memorandums sent to systems. The PRB provides consistent updates to potential course sponsors of accreditation status.



Goal 4. Monitor and ensure public retirement system compliance with laws and regulations.

SPECIFIC ACTION ITEMS TO ACHIEVE GOAL

- Track financial compliance reporting through the agency’s financial and actuarial database.
- Track completion of MET courses by trustees and system administrators.
- Work with non-compliant retirement systems by providing one-on-one assistance, deadline reminders, and other resources to bring them into compliance with state reporting requirements.
- Monitor changes to federal law and regulations and communicate updates to the public retirement systems via the PRB website, memorandums, and online courses.
- Publish updated Government Code and TLFRA statute to provide public retirement systems with current state laws.
- Provide guidance and clarification on state law to public retirement systems.

HOW GOALS AND ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

1. Accountable to tax and fee payers of Texas.

The PRB reports retirement system compliance with financial and actuarial requirements to the Legislature. The agency will also report retirement system compliance with training beginning November 2016.

2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.

The agency monitors processing times of financial, actuarial, and training reports to ensure maximum efficiency. The PRB uses a centralized database to minimize errors and decrease report generation time. Internal procedures are periodically reviewed and streamlined to eliminate unnecessary tasks and redundancies.

3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.

The PRB works with the retirement systems to ensure a substantial number of systems are in compliance with state reporting requirements.

4. Providing excellent customer service.

The agency clearly communicates with systems to provide updates on laws and regulations. The PRB provides reminders and enforcement notices regarding reporting and training compliance due dates. Agency staff provides specialized assistance in the form of research, comparative data, and other information to help systems accurately and promptly report required information.

5. Transparent such that agency actions can be understood by any Texan.

Compliance reports are published and placed on the PRB website quarterly; the *Calendar of Reporting Due Dates*, which outlines all financial and actuarial reporting deadlines, is also posted on the website for systems’ convenience. The agency consistently communicates compliance status with plan sponsors and maintains a regularly updated list of Plans Non-Compliant Over 60 Days. The agency will report MET compliance to the Legislature beginning November 2016.



REDUNDANCIES AND IMPEDIMENTS

The PRB successfully completed the Sunset review process during the 83rd Legislative Session and was continued for another 12 years until September 1, 2025. Senate Bill 200, the PRB's Sunset legislation, also reduced the members of the Board from nine to seven by eliminating the two legislative member positions. Additionally, the bill amended Chapter 802 to update outdated reporting requirements for retirement systems which significantly improved the quality of information received by the agency and the timeliness of that information. S.B. 200 also exempted defined contribution and volunteer TLFRA systems from unnecessary reporting requirements, allowing the agency to focus its resources on the systems that pose the greatest risk to retirees and taxpayers. The bill directed the agency to provide more specific training and to deliver its training through the Internet, making it more accessible.

The agency's Sunset review, and resulting legislation, removed the existing redundancies and impediments faced by the agency and greatly improved the PRB's ability to focus on its core mission and functions of conducting a continuing review of public retirement systems, including compiling and comparing information about benefits, creditable service, financing and administration of systems; conducting intensive studies of potential or existing problems that threaten the actuarial soundness of one or more public retirement systems; providing education, information and technical assistance on pension planning to public retirement systems; and recommending policies, practices, and legislation to public retirement systems and appropriate governmental entities.



SUPPLEMENTAL ELEMENTS



BUDGET STRUCTURE

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.

<p><u>Objective 01-01 Determine Actuarial Condition of Defined Benefit Public Retirement Systems</u></p> <p>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 or financially 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>Outcome Measures</p> <p>01-01.01 Percent of Actuarially Funded Defined Benefit Texas Public Retirement Systems That Are Actuarially Sound</p> <p>01-01.02 Percent of Public Retirement Systems in Compliance with Reporting Requirements</p>	<p><u>Strategy 01-01-01 Conduct Reviews of Texas Public Retirement Systems</u></p> <p>Output Measures</p> <p>01-01-01.01 Number of Compliance Actions Initiated</p> <p>01-01-01.02 Number of Reviews Completed</p> <p>Efficiency Measure</p> <p>01-01-01.01 Percent of Reports Filed Within Time Frames After Non-compliance Notice</p> <p>Explanatory/Input Measures</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>
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<p><u>Objective 01-02 Respond to Requests from Legislature and Public Retirement Systems</u></p>	<p><u>Strategy 01-02-01 Provide Technical Assistance; Issue Impact Statements; Educate</u></p>
<p>Each year through 2025, respond to 100 percent of requests by providing the information required and services needed by PRB's service population to make informed decisions. Educate public employee retirement systems (PERS) and their members, the Legislature, and general public regarding public pension matters, including pension law and current issues such that 90 percent express satisfaction with educational services. Examine legislation for potential impact on Texas PERS and ensure that 100 percent of all actuarial impact statements are delivered prior to legislative hearings. Provide electronic access to public pension data.</p>	<p>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.</p>
<p>Outcome Measures</p>	<p>Output Measures</p>
<p>01-02.01 Percent of Legislative and Public Retirement System Requests For Technical Assistance Answered</p>	<p>01-02-01.01 Number of Impact Statements Issued</p>
<p>01-02.02 Percent of Training Session Participants Satisfied</p>	<p>01-02-01.02 Number of Persons Participating In Training Sessions</p>
<p>01-02.03 Percent of All Constituents Satisfied With PRB Educational Services</p>	<p>01-02-01.03 Number of Technical Assistance Reports Provided By Staff</p>
<p>01-02.04 Percent of Public Retirement System Trustees and System Administrators in Compliance with Minimum Training Requirements</p>	<p>01-02-01.04 Number of Responses To Requests For Technical Assistance</p>



PERFORMANCE MEASURE DEFINITIONS

GOAL

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.

Objective

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 or financially 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.

Strategy

Conduct reviews of Texas Public Retirement Systems.

Objective

Each year through 2025, respond to 100 percent of requests by providing the information required and services needed by PRB's service population to make informed decisions. Educate public employee retirement systems (PERS) and their members, the Legislature, and general public regarding public pension matters, including pension law and current issues such that 90 percent express satisfaction with educational services. Examine legislation for potential impact on Texas PERS and ensure that 100 percent of all actuarial impact statements are delivered prior to legislative hearings. Provide electronic access to public pension data.

Strategy

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.

OUTCOME MEASURES

Percent of 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 this 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. Non-cumulative.

Data Limitations

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

Calculation Type

Noncumulative

New Measure

No

Target Attainment

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. Non-cumulative.

Data Limitations

The agency depends on the retirement systems for

Calculation Type

Noncumulative



timely filing of changes to investment policies, plan designs and board composition as the agency would otherwise be unaware of such changes.

New Measure: No

Target Attainment: 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. This statistic is 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. Non-cumulative.

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

Noncumulative

New Measure

No

Target Attainment

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 session's 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

Target Attainment

Higher than target

Percent of All Constituents Satisfied w/ 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.

Method of Calculation

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.

Calculation Type

Noncumulative



New Measure

No

Target Attainment

Higher than target

Percent of Trustees, Administrators Complying W/ 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.

Method of Calculation

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 by plan, but the statute defines the system administrator as one person who oversees the plan, typically the Executive Director.

Calculation Type

Noncumulative

New Measure

No

Target Attainment

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. Non-cumulative.

Data Limitations

N/A

Calculation Type

Noncumulative

New Measure

No

Target Attainment

Higher than target

EXPLANATORY MEASURES

Number of Systems Registered with SPRB

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 data.



Method of Calculation

The total number of systems registered with the PRB. Non-cumulative.

Data Limitations

NA

Calculation Type

Noncumulative

New Measure

No

Target Attainment

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 this 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 benefit 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

Target Attainment

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 the data.

Method of Calculation

The total number of written enforcement notifications to systems. Cumulative.

Data Limitations

NA

Calculation Type

Cumulative

New Measure

No

Target Attainment

Higher than target

Number of Reviews Completed

Definition

A review of a public retirement system includes the review of the plan design, financial report, investment returns and assumptions report, investment policy, actuarial valuation, 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, and 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, as well as the internal review tracking spreadsheet, is the source of data.



Method of Calculation

The total number of reviews. Cumulative.

Data Limitations

N/A

Calculation Type

Cumulative

New Measure

No

Target Attainment

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 Legislative Budget Board's Fiscal Notes System is the source for 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. Cumulative.

Data Limitations

N/A

Calculation Type

Cumulative

New Measure

No

Target Attainment

Higher than target

Number of Persons Participating in 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

NA

Calculation Type

Cumulative

New Measure

No

Target Attainment

Higher than target

Number of Technical Assistance Reports Provided by Staff

Definition

The number of unique technical assistance reports produced by 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 requirements.

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 unique technical assistance reports produced by the PRB. One report distributed to multiple recipients is counted as one. Cumulative.

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

Target Attainment

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 responses to requests for technical assistance produced by the PRB staff. Cumulative.

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

Target Attainment

Higher than target



HISTORICALLY UNDERUTILIZED BUSINESS PLAN

The agency's Board has adopted Rule §604.1 under 40 TAC Part 17 establishing the agency's Historically Underutilized Business (HUB) Policy. The policy adopts by reference the HUB rules promulgated by the Comptroller of Public Accounts under 34 TAC Part 1, Chapter 20, Subchapter B. The PRB makes a good faith effort to utilize HUBs in the procurement process of all goods and services whenever applicable for any dollar amount.

PRB's HUB Assessment Report

The following assessment report complies with the requirement of Section 7.06 to submit an internal assessment evaluating the agency's efforts during the previous two fiscal years to increase the participation of HUBs in purchasing and public works contracting.

In fiscal year 2014, the PRB exceeded its goal of 24.60% for "Other services contracts" by 58.65%, spending 83.25% of its total expenditures in the category with HUBs. The agency also exceeded its fiscal year 2014 goal for "Commodities contracts," spending 49.96% of total expenditures with HUBs. This is 28.96% over the agency's goal of 21.00%.

FISCAL YEAR 2014				
HUB Report Procurement Categories	Total Dollars Spent	Total Dollars Spent w/ HUBs	% of Dollars Spent w/HUBS	Statewide HUB Goal
Heavy construction other than building contracts	\$0.00	\$0.00	0.00%	11.20%
Building construction, including general contractors and operative builders contracts	\$0.00	\$0.00	0.00%	21.10%
Special trade construction contracts	\$0.00	\$0.00	0.00%	32.70%
Professional services contacts	\$0.00	\$0.00	0.00%	23.60%
Other services contracts	\$78,232	\$65,125	83.25%	24.60%
Commodities contracts	\$39,338	\$19,651	49.96%	21.00%

For fiscal year 2015, the PRB spent 27.22% of its expenditures with HUBs for "Other services contracts," exceeding the 26.00% goal by 1.22%. For "Commodities contracts," the PRB did not meet its goal of 21.10%, having spent 13.58% of its expenditures with HUBs. In fiscal year 2015, the agency's commodities requirements differed from fiscal year 2014, including several cyclical expenses, such as multi-year software license renewals and office supply purchases from TIBH Industries.



FISCAL YEAR 2015				
HUB Report Procurement Categories	Total Dollars Spent	Total Dollars Spent w/ HUBs	% of Dollars Spent w/HUBS	Statewide HUB Goal
Heavy construction other than building contracts	\$0.00	\$0.00	0.00%	11.20%
Building construction, including general contractors and operative builders contracts	\$0.00	\$0.00	0.00%	21.10%
Special trade construction contracts	\$0.00	\$0.00	0.00%	32.90%
Professional services contacts	\$0.00	\$0.00	0.00%	23.70%
Other services contracts	\$37,085	\$10,093	27.22%	26.00%
Commodities contracts	\$35,938	\$4,878	13.58%	21.10%

The following report addresses the requirement in Section 7.07 to describe plans to maintain compliance with Government Code Section 2161.123. The PRB will continue good faith efforts to meet HUB goals for purchasing and contracting in fiscal years 2016 and 2017 by following its HUB Plan, as outlined below.

HUB Goal

The PRB's HUB goal is 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

To increase the PRB's use of HUBs in purchasing and public works contracting, the agency will make a good faith effort to utilize HUBs in the procurement process of all goods and services; whenever applicable for any dollar amount. The 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.



AGENCY WORKFORCE PLAN

A. Overview

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 12 staff including the executive director. The agency is authorized for 15.0 full-time equivalents (FTEs) with funding available for 14.0 FTEs.

Agency Mission: 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.

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 330 individual public retirement systems, as well as state and local government officials, and taxpayers.

Agency Strategic Goals and Objectives:

Goal 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.



Objective 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 or financially 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.

Strategy Conduct reviews of Texas Public Retirement Systems.

Objective Each year through 2025, respond to 100 percent of requests by providing the information required and services needed by PRB's service population to make informed decisions. Educate public employee retirement systems (PERS) and their members, the Legislature, and general public regarding public pension matters, including pension law and current issues such that 90 percent express satisfaction with educational services. Examine legislation for potential impact on Texas PERS and ensure that 100 percent of all actuarial impact statements are delivered prior to legislative hearings. Provide electronic access to public pension data.

Strategy 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.

B. Current Workforce Profile (Supply Analysis)

Workforce Demographics: As of June 2016, the agency's workforce of 12 FTEs was comprised of 67 percent females and 33 percent males. Overall, 25 percent of the agency's employees had more than 5 years' service, and 42 percent had less than 2 years' service. The average age of agency employees is 33.75. The staff is comprised of program specialists, financial analysts, research specialists, accountants, other professional and support personnel. Lastly, the agency's racial composition is as follows: 75 percent White; 17 percent Hispanic; and 8 percent Asian.

Employee Turnover: Turnover continues to be a critical issue. In fiscal year 2015 alone, the PRB's turnover rate was 35.7 percent, with 5 employees leaving, including 3 senior-level positions and both of the agency's accounting positions. One of the senior-level positions was the agency's actuary, which is an extremely technical specialization and very difficult to fill.

A major strength of the PRB is its staff. When a position becomes vacant within the agency, the turnover rate will appear much higher than the state-wide average because the agency only has 14 budgeted FTEs. Recent years have seen the departure of senior staff whose expertise is not easily replaced.

The PRB is making serious efforts to reduce turnover. In the next five years, the agency expects a reduced employee turnover rate due to those efforts.

Critical Workforce Skills: There are numerous 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:



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- Accounting/Budgeting
 - Actuarial
 - Administrative
 - Auditing
 - Computer Research Skills
 - Database Administration
 - Data Analysis
 - 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

C. Future Workforce Profile (Demand Analysis)

Expected Workforce Changes: As a small state agency, recruitment and retention of staff is an ongoing challenge, especially due to lack of competitive salary levels. Due to budget constraints, it is difficult for the agency to retain staff with pension-related expertise and problem-solving skills. If the labor market remains strong, it is likely that the agency may lose more talented staff to higher paying jobs in the future.

Future Workforce Skills Needed: The PRB will continue to need the critical workforce skills listed above. In addition, the agency may need more specialized investment analysis skills to conduct increased review of investment practices and data reported by public retirement systems.

Critical Functions That Must Be Performed to Achieve Strategic Plan:

- Provide accurate information and analysis regarding public retirement systems
- Conduct research into potential and existing pension issues
- Educate public retirement systems, the public, and the Legislature
- Monitor compliance with laws and regulations
- Continued collaboration with industry stakeholders

D. Gap Analysis

A slight gap exists in the PRB's workforce due to two positions (research specialist and accounting technician) that are currently vacant. Also, due to the agency's small size, substantial gaps might emerge rapidly in the future, with the departure of even one or two key employees. Due to the highly specialized nature of pension and actuarial expertise, the labor market may not be as well suited to providing qualified replacements for the most senior positions in the agency. Successfully replacing key positions with new employees with specialized pension/actuarial expertise has proven to be very difficult and the agency is often challenged with lack of qualified applicant pool. While pension/actuarial



skills are scarce, they can be effectively developed within candidates with strong backgrounds in general financial analysis, but this takes time and resources. Additionally, the agency continues to experience increased workload demand in conjunction with lack of competitive pay for staff.

E. Strategy Development

Skill Development: While the agency will continue to recruit future personnel to fill vacant positions, the agency is simultaneously focused on developing the requisite pension, actuarial and investment expertise of current staff. Development will help the agency overcome the scarcity of those specialized 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 many months of on-the-job experience. Understanding how to navigate the political and legislative environment is also experience-driven, and will often take months or years to gain experience in those areas. The same is true of the agency's accounting and budget functions, which require knowledge of state systems and requirements.

Succession Planning: The agency has increased its ongoing efforts of succession planning for key positions through cross training to ensure continuity of functions, encouraging professional development of staff, and creating detailed written procedures for important agency programs. There is a committed focus on improving documentation of strategic job descriptions for all agency positions, including the accountant 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 same is being done for the accounting functions of the agency.

Retention Strategy and Leadership Development: Due to agency's budgetary limitations, there is a lack of competitive salary structure. The agency continues to lose qualified employees to better paying jobs and faces difficulty in filling those positions. Serious efforts are being made to retain staff but additional funding to offer competitive salaries is required to successfully retain and attract qualified personnel. The agency will continue to relay its budgetary challenges to the Legislature and request additional funds for the agency to attract and retain talented staff.

The agency is focused on retaining its qualified staff. Given the budgetary limitation of the agency, three key policies are in place to retain valuable personnel.

- First, the flexibility of assignments 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.
- Second, to empower staff to step up into roles of higher responsibility and prepare qualified and experienced staff to move into leadership and management roles, which helps create a career ladder within the agency. To accomplish this, the agency has made professional development training to staff a high priority item by making available to staff professional development training in the area of leadership development. Also, to prepare qualified staff to carry out roles of management and leadership, senior staff provides mentoring opportunities.
- The third policy is the flexibility of schedules which allows staff to maintain a firm work-life balance essential for retaining valuable personnel.



Survey of Employee Engagement

The PRB participated in the Survey of Employee Engagement in the 2016 fiscal year. Out of 13 employees who were invited to take the survey, 9 responded resulting in a 69.2% response rate for the agency. Scores above 350 are considered desirable. The overall score for the agency was 397 with the majority of constructs being above 360. The survey found that the agency’s areas of substantial strength include constructs such as Strategic, Workplace, and Workgroup.

The survey found that the agency’s primary concern was the Pay construct. The Pay construct reflects the employees’ perceptions about how well the compensation package offered by the organization holds up when compared to similar jobs in other organizations. 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, the Governor’s Center for Management Development, and other avenues identified by staff.

