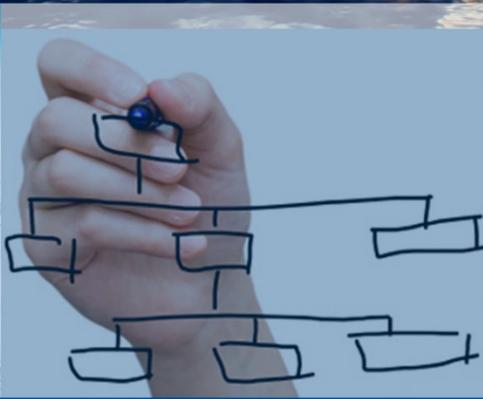




Teacher Retirement System of Texas
WORKFORCE PLAN

2017-2021



Earning your trust every day.



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TRS WORKFORCE PLAN

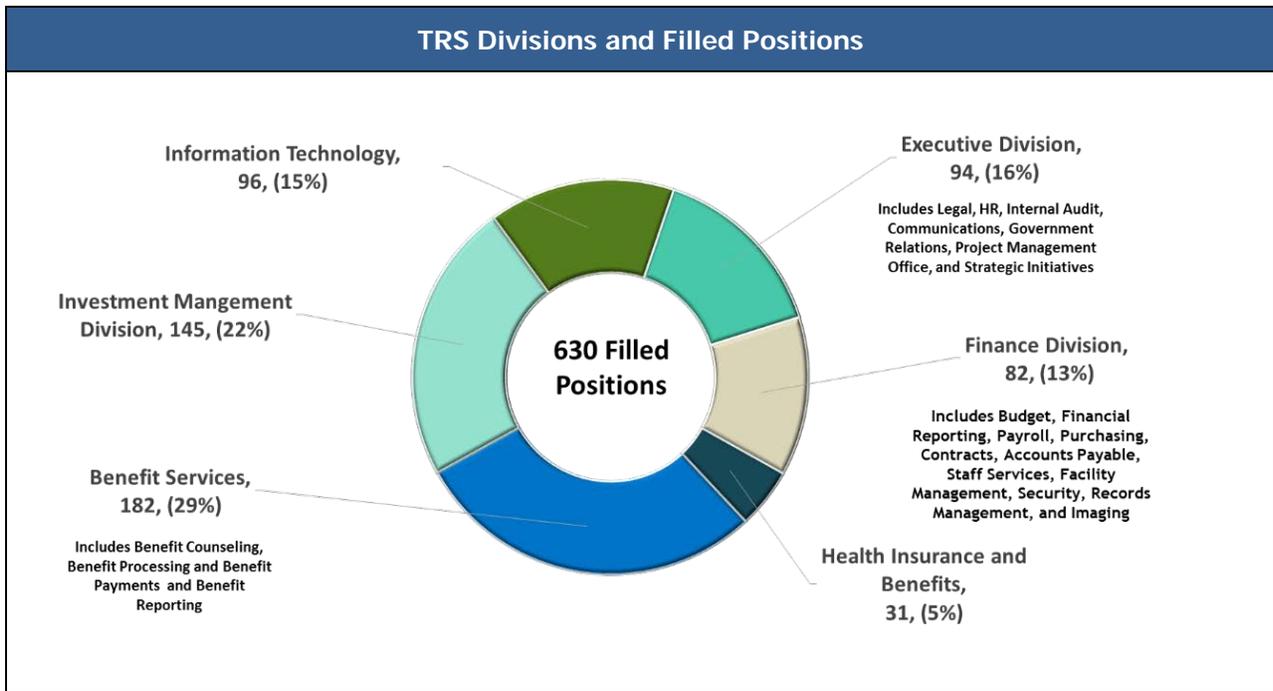
I. System Overview

The Teacher Retirement System of Texas (TRS) was formed by constitutional amendment and enabling legislation in 1937. The original responsibility of the system was to provide service and disability retirement benefits to teachers and administrators of the public school systems of Texas, including institutions of higher education. Over the years, legislation has:

- Expanded TRS pension plan membership eligibility to all public school employees (1949).
- Assigned TRS to administer a health benefit program for public school retirees (1985).
- Created the basis for TRS to provide long-term care insurance (1999).
- Assigned TRS to administer a health benefit program for active public school employees (2001).

The TRS pension plan had about 38,000 members in its first year of operation. Today, TRS is the largest public retirement system in Texas, in both membership and assets. The agency serves 1,459,243 participants – 1,081,505 are public and higher education members, and 377,738 are retirement recipients. As of August 31, 2015, system net assets totaled approximately \$128.5 billion. The TRS pension plan operates under Article XVI, Section 67 of the Constitution of Texas to provide retirement and related benefits for those employed by public schools, colleges, and universities supported by the State of Texas. The system is responsible for investing funds under its stewardship and for delivering benefits to members as authorized by the Texas Legislature. TRS is a defined benefit plan, with retirement benefits determined by a pre-established formula. The trust fund is sustained principally by three sources—contributions by members during their working careers, contributions by the state, and investment revenues.

TRS operates in downtown Austin out of two adjoining buildings at 1000 Red River Street and a 47,034 square-foot leased space at 816 Congress Avenue that houses the TRS Investment Management Division. In 2015, TRS opened a small overseas office for London investment staff, which currently employs two staff members. The business of the system involves two broad functions: administering benefits and managing investments while the financial, information technology and executive administration areas provide essential services to the system's mission-critical divisions. Currently TRS has six major divisions: Benefit Services, Investment Management, Health Insurance and Benefits, Information Technology, Finance, and Executive. The following chart details the distribution of current employees in those divisions.



II. Organization Mission, Strategic Goals and Objectives

The mission of TRS is:

Improving the retirement security of Texas educators by prudently investing and managing trust assets and delivering benefits that make a positive difference in members' lives.

TRS has the following five goals and objectives as part of the Strategic Plan for FY 2017-2021. In addition to the overall goals and objectives, strategies and tactics related to workforce management in Goal 4 are included below. A full listing of TRS' goals, objectives, strategies and tactics can be found in Appendix 2 of the Strategic Plan.

GOAL 1: Sustain a financially sound pension trust fund. (Texas Constitution, Article 16, Section 67)	
Objective	To manage to an actuarially sound retirement system that maintains an amortization period of less than 31 years and achieves full funding over the long-term.
Objective	Maintain and implement an evolving investment policy capable of achieving the trust's actuarial assumed rate of return as measured on rolling 20-year periods.
Objective	Develop, maintain and implement a sound, professional and systematic risk management and capital allocation system.
Objective	Develop and maintain a highly capable and diversified external network of global investment, trading and consulting relationships.



GOAL 2: Continuously improve our benefit delivery. <i>(Section 825.113 (c), (f) and (g), Texas Government Code)</i>	
Objective	Implement modern pension and benefit information systems that allow TRS staff to serve our members and deliver accurate benefits effectively and timely by August 2018.
Objective	Continuously improve quality of work and customer service levels for our participants.
Objective	Develop and maintain ongoing stakeholder information and education to support the mission of TRS and provide excellence in our response.
GOAL 3: Facilitate access to competitive, reliable health care benefits for our members. <i>(Sections 1575.051 and 1575.052, Texas Insurance Code)</i>	
Objective	Manage the revenues and expenses of TRS-Care and TRS-ActiveCare.
Objective	Research and communicate the merits of varied solutions that contribute to the long-term sustainability of access to healthcare for our participants.
GOAL 4: Attract, retain, and develop a highly competent staff. <i>(Sections 825.208, 825.211, 825.212, and 825.213, Texas Government Code)</i>	
Objective	Develop and maintain a desirable work environment.
Strategy: Promote a strong workplace culture that exemplifies TRS’ core values and emphasizes TRS’ mission.	
	<ul style="list-style-type: none"> • Communicate and promote core values through the quarterly recognition program and annual Golden Apple Awards. • Perform annual reviews of performance evaluations and 360 assessments (where applicable) and take appropriate action to ensure alignment with core values and TRS mission and update job descriptions as necessary. (daily/weekly) • Solicit employee feedback to assess employee satisfaction/engagement, quality of internal customer service and quality of management at least annually. (by end of fiscal year) • Review feedback from employee surveys and identify opportunities for improvement at least annually. (by end of fiscal year)
Strategy: Provide a physical work environment that is safe and enhances productivity.	

	<ul style="list-style-type: none"> Identify areas of opportunity to refresh and update TRS facilities to provide a safe, productive and desirable work environment. (monthly) Determine and provide an optimal level of technology and resources that is reviewed annually to allow TRS to enhance productivity. (as needed and annually during budget cycle) Research and decide on options regarding effective space utilization. (as needed) Review and evaluate safety measures and implement additional measures as needed. (daily/weekly)
Objective	Develop an effective recruitment/retention strategy and a competitive total rewards package.
Strategy: Develop and execute workforce plan.	
	<ul style="list-style-type: none"> Conduct gap analysis every two years. (by June; even calendar years) Conduct ongoing review of job descriptions and postings to reflect needs identified in the workforce plan. (daily/weekly) Develop targeted recruiting to address gaps as needed. (monthly) Identify critical positions and high potential employees for succession planning program. (by August 2016)
Strategy: Develop and implement training programs and other resources for managers.	
	<ul style="list-style-type: none"> Design and pilot a manager's tool kit by 12/31/16 (an online portal providing HR information and tools for managers).
Strategy: Review and assess recruiting and hiring.	
	<ul style="list-style-type: none"> Map and update the hiring process, leverage technology where possible, and develop tools to assist managers. (by August 2016)
Strategy: Expand recruitment efforts	
	<ul style="list-style-type: none"> Explore options for an employee referral process by the end of FY 2016. Develop an employer branding strategy and materials for TRS. (by December 2016) Expand and enhance the internship program to attract quality candidates annually. (by August 2016) Explore the use of external search firms to enhance the ability to attract and retain high quality candidates. (by August 2016)
Strategy: Identify and implement successful strategies to retain and promote top-performing employees and managers.	
	<ul style="list-style-type: none"> Research top employee rated retention strategies by the end of FY 2017. Evaluate and implement retention strategies based on career stage by the end of FY 2017. Accurately calculate investment performance incentive pay. (annually)
Strategy: Provide employee development opportunities.	

	<ul style="list-style-type: none"> • Enhance leadership development program on an ongoing basis. (biennially) • Design and implement a program that pairs newly hired employees with current employees to help familiarize them with the TRS culture and business structure. (by end of FY 2017) • Continue to provide education and/or training opportunities and resources and track annually (e.g., tuition reimbursement, certification courses, etc.). (by end of CY 2018)
<p>Strategy: Review, update and enhance TRS’ compensation and total rewards package.</p>	
	<ul style="list-style-type: none"> • Conduct a gap analysis on TRS’ total rewards package by the end of FY 2016 and review biennially thereafter. • Conduct ongoing reviews of positions to determine the market competitiveness with similar positions in the private and public sector, using TRS’ compensation strategy as a guideline and review as needed. (daily/weekly)
<p>GOAL 5: Promote purchasing selection practices that foster meaningful and substantive inclusion of historically underutilized businesses. <i>(Section 825.514 and Chapter 2161, Texas Government Code)</i></p>	
<p>Objective</p>	<p>Provide contracting opportunities for HUBs that result in TRS’ overall total value of purchasing contracts expended with HUBs exceeding the aggregate State of Texas HUB expenditure performance.</p>

TRS does not anticipate fundamental changes in the nature of its business. It does, however, recognize the need to adapt readily to any changes as a result of legislation or board directives. Environmental factors that are projected to affect TRS operations include:

- Increased growth in plan participants;
- Increased expectations by members and retirees for enhanced customer service;
- Potential loss of institutional knowledge due to turnover of critical employees;
- Effective management of complex, diversified investment portfolios; and
- Increased challenges implementing mandated changes to benefit plans.

III. Current Workforce Profile (Supply Analysis)

TRS’ core functions are delivering retirement benefits, facilitating health care coverage, managing investments and managing the TRS infrastructure including technology upgrades for the pension system and financial system. The skills that are most critical to support TRS’ core functions include:

- Health benefit plan management;
- Pension administration;
- Investment expertise, including diversified portfolio management skills and managing alternative asset classes;
- Information technology, including telecommunications, Web design, programming and systems administration;

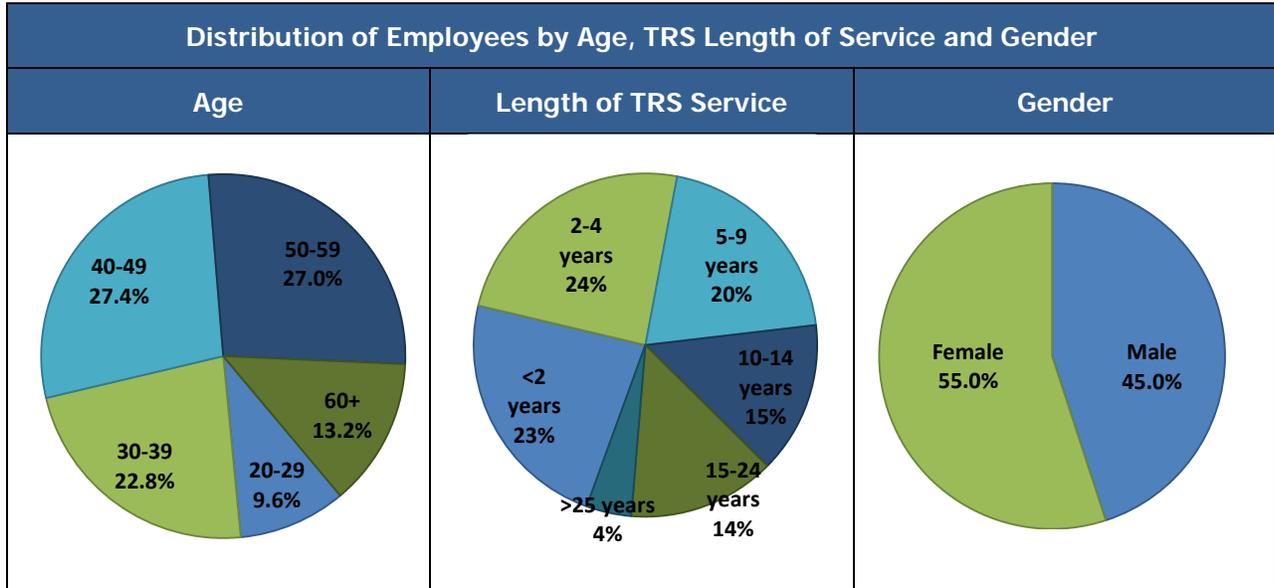
- Developing and monitoring complex contracts; and
- Specialized professional skills (including accounting, auditing, human resources and legal).

TRS has been successful attracting and developing staff with the following skills and competencies to meet critical business needs and are essential to successfully achieve TRS' mission and goals:

- Accountability;
- Business process analysis;
- Critical thinking and problem solving;
- Project management;
- Strategic planning;
- Leadership;
- Adaptability;
- Customer service; and
- Communication and collaboration.

Workforce Demographics

The following charts profile the system's workforce as of FY 2016, Quarter 1. The TRS workforce is comprised of 55.0 percent females and 45.0 percent males. Approximately 47.4 percent of employees have been with TRS less than five years. Approximately 40.2 percent are 50 years of age or older.



The following table compares the ethnic and gender composition of the TRS workforce (as of Aug. 31, 2015) to the statewide (Texas) civilian workforce as reported by the Texas Workforce Commission—Civil Rights Division (CRD) in the *2014-2015 Equal Employment Opportunity and Minority Hiring Practices Report*. TRS actively monitors this information and adjusts its recruitment strategies to target areas of under-representation.

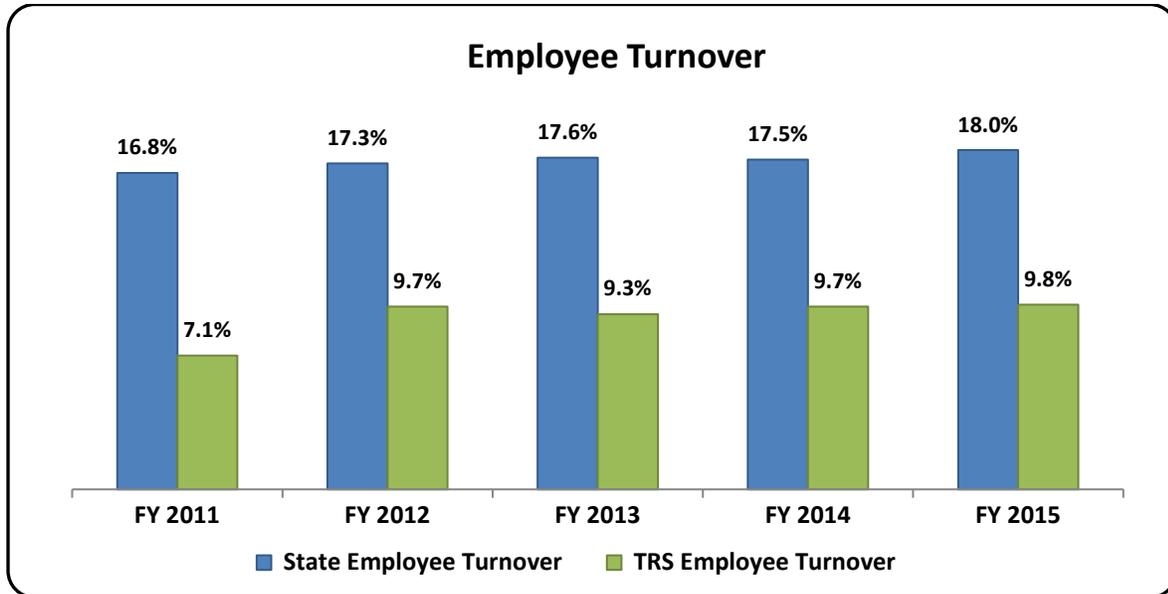
Job Category	African American		Hispanic American		Female	
	TRS %	Texas %	TRS %	Texas %	TRS %	Texas %
Official/Administrator	2.7%	7.1%	12.1%	20.9%	32.9%	37.5%
Professional	5.2%	11.0%	13.7%	18.6%	46.2%	54.9%
Technical	18.2%	13.8%	28.8%	28.8%	40.9%	51.3%
Administrative Support	21.9%	13.6%	28.6%	33.0%	59.0%	72.8%
Service/Maintenance/ Paraprofessional*	17.6%	12.2%	34.0%	53.7%	75.5%	51.4%
Total	10.2%	11.4%	21.4%	32.4%	55.6%	55.0%

*TWC combines data for paraprofessionals and service/maintenance for the purpose of this report.

The organization's strategies for improving the diversity of its workforce include targeted advertising of vacancies, ongoing participation in diversity job fairs, and diversity/cultural awareness training. The employment policies and practices of TRS have been certified as in compliance with CRD standards, in accordance with Chapter 21 of the Texas Labor Code (most recently in December 2013).

Employee Turnover

As reflected in the following chart, employee turnover at TRS has historically been below the statewide average among state agencies, as reported by the State Auditor’s Office. In fiscal year 2015, TRS turnover was 9.8 percent, well below the state average of 18.0 percent for the same period. TRS anticipates that its turnover rate may fluctuate with the Austin economy but expects overall turnover rates to remain below the state average.



Retirement Eligibility Projections

The following chart provides estimates on the number of TRS employees who will be eligible to retire over the next five years. These estimates are based on the rule of 80 using total state service for employees as of Dec. 31, 2015.

Percent of TRS Employees Eligible to Retire as of:

Division	January 2016		January 2019		January 2022	
	Eligible Employees	Percent Eligible	Eligible Employees	Percent Eligible	Eligible Employees	Percent Eligible
Executive Division	27	26.5%	35	34.3%	41	40.2%
Investment Management	6	4.1%	8	5.4%	13	8.8%
Benefit Services	27	14.6%	39	21.1%	56	30.3%
Finance Division	20	24.1%	28	33.7%	39	47.0%
Information Technology	22	22.7%	33	34.0%	45	46.4%
Health and Insurance Benefits	3	9.7%	5	16.1%	6	19.4%
Total	105	16.3%	148	22.9%	200	31.0%

IV. Future Workforce Profile (Demand Analysis)

The size of the population served by TRS and their customer service expectations continue to expand. Workloads are rising in response to changes in the membership, legislative changes, and budget cuts at the school district level. As a result, TRS is monitoring business processes and FTE employee levels and making adjustments as necessary to efficiently provide excellence in customer service.

The continued growth in the size and complexity of the TRS lines of business has required additional technology professionals, business analysts, and program managers to implement technology upgrades. The agency has major initiatives underway to review statutory provisions, streamline benefit administration processes, and deploy enhanced technology solutions related to critical needs.

TRS continues to develop the skills of its current workforce, recruit new staff with required expertise, and contract with outside parties, when feasible and cost-effective, to supplement the workforce in highly specialized areas.

To maintain and further the caliber of future workforce, staff with strong communication and interpersonal skills, a service focused mindset, and strong analytical and creative thinking skills will be sought. To meet the continuity of mission and business focus we will continue to need

staff with specialized investment management skills including alternative asset management and portfolio risk management.

Our analysis of future needs indicates that in addition to the skills required above to maintain core functionality, the following areas of expertise will be of value:

- Contract negotiation and administration (for monitoring outsourced functions, such as health benefit programs);
- Information technology including telecommunications, full spectrum Web application support and lifecycle systems support including design, management and implementation;
- Business process research, analysis, design and project management skills;
- Leadership and management skills including collaborative leadership and development, creative problem solving and the ability to maintain agile, cohesive and productive work teams; and
- Continuity planning and knowledge management for executive leadership, portfolio management and health benefit plan management.

V. Gap Analysis

TRS addresses prospective gaps in skills and staffing by conducting regular reviews of the workforce plan, analyzing market trends, updating job descriptions, reviewing performance appraisal plans, identifying career development opportunities, reviewing talent management strategies, and conducting employee engagement surveys. Although TRS proactively reviews staffing needs, potential gaps in worker or skill needs may develop as a result of:

- Loss of institutional knowledge and expertise due to turnover of critical staff.
- Changing roles and responsibilities for staff as a result of legislation or agency-wide initiatives.
- Increased competition for experienced staff in certain fields.

VI. Strategy Development

It is a priority for TRS to address potential gaps identified in the workforce plan. Implementing the following strategies and action steps will help ensure TRS remains an employer of choice and continue to meet our mission and goals.

Potential Gap	Strategy
Loss of institutional knowledge and expertise due to turnover of critical staff	<p>Ensure a smooth transition of duties, responsibilities and institutional expertise when a critical staff member leaves the agency. Action steps include:</p> <ul style="list-style-type: none"> • Identify best practices for business process reviews and knowledge transfer programs and techniques. • Continue to utilize the Leadership Development Program to prepare staff to compete for leadership positions as they become vacant. • Identify opportunities for cross-training efforts and career development. • Develop and implement succession plans to ensure continuity of service during any period of extended absence or turnover among critical staff. • Maintain effective recruitment practices and strategies (such as use of contingent staff, internships, and employer branding) to attract or develop qualified replacement staff.
Changing roles and responsibilities for staff as a result of legislation or agency-wide initiatives	<p>Acquire necessary expertise to fulfill assigned responsibilities. Action steps include:</p> <ul style="list-style-type: none"> • Conduct research to identify issues affecting other public pension funds or state agencies that may potentially affect TRS. • Maintain awareness of prospective legislative changes to allow adequate planning for new skill-set requirements. • Explore options for developing skills within the current workforce, attracting new staff with the required experience, or outsourcing certain functions.
Increased competition for experienced staff in certain fields	<p>Maintain a work environment that allows TRS to attract, retain and develop highly competent staff. Action steps include:</p> <ul style="list-style-type: none"> • Promote a strong workplace culture that exemplifies TRS' core values and emphasizes TRS' mission. • Provide employee development opportunities. • Review, update and enhance TRS' compensation and total rewards package. • Enhance recognition programs and other initiatives to support retention of staff. • Continue organizational development efforts aimed at enhancing ongoing communication and effective working relationships between management and staff. • Encourage staff involvement in organizational activities.

TRS will also continue to manage (and expand, as needed) its effective programs and practices for attracting, retaining and developing highly competent and diverse staff. Such practices include:

- Recruitment programs that market TRS as an employer of choice.
- Internship programs to build relationships with universities and develop talent pools.

- Strategic workforce management to include the use of contingent staffing, redeployment of current staff, variable scheduling to meet business needs, and other appropriate best practices.
- Leadership development programs to build the skills of current and prospective leaders.
- Career development programs to provide professional growth opportunities for employees.
- Cross-training programs to advance skill levels, enhance productivity and provide back-up for critical functions.
- Continuity plans for critical staff.

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