

Workforce Plan

FOR FISCAL YEARS 2016-2018



I. AGENCY OVERVIEW

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

A. Mission

ERS offers competitive benefits to enhance the lives of its members.

B. Philosophy

ERS prudently and professionally manages the trust funds and programs on behalf of its members. Benefits are an important part of the compensation of State of Texas employees, contributing to their financial security and well-being throughout their lives. We operate in an ethical, cost-effective manner, providing valuable and reliable service delivered by highly qualified staff.

C. Principles

TRUST - Earn and maintain the confidence of our stakeholders

INTEGRITY - Make ethical and prudent decisions

SERVICE - Deliver quality and respectful service to all participants

ADAPTABILITY - Able to adjust to different conditions

COMMUNICATION - Exchange information in a consistent, concise and clear manner

STEWARDSHIP - Prudently manage resources

INNOVATION – Embrace new ideas and concepts

COLLABORATION – Exhibit teamwork in accomplishing the task at hand.

D. Strategic Directions and Strategies

STRATEGIC DIRECTION - SUPPORTING OUR MEMBERS' RETIREMENT INCOME SECURITY

Strategies:

- Attain Defined Benefit Plan Sustainability
- Assist Members in Preparing for Retirement Readiness
- Maintain a Professional and Diversified Investment Program

STRATEGIC DIRECTION - SUSTAINING COMPETITIVE GROUP BENEFITS PROGRAMS

Strategies:

- Manage Healthcare Program
- Align Incentives with Health Risks
- Enhance Data Analysis

- Provide Resources for Developing Policy

STRATEGIC DIRECTION - ENGAGE STAKEHOLDERS FOR INFORMED DECISION MAKING

Strategies:

- Enhance Communications and Measure the Effectiveness
- Educate Stakeholders on Programs and Their Value
- Increase Understanding of Stakeholder Needs

STRATEGIC DIRECTION - ENHANCING AGENCY PERFORMANCE AND ACCOUNTABILITY

Strategies:

- Leverage Input, Skills and Talents of ERS Staff
- Increase Process Efficiency and Effectiveness to Meet Changing Needs
- Improve Transparency to Maintain Trust

II. CURRENT WORKFORCE PROFILE

A. *Critical Workforce Skills*

There are several critical skills that are important to ERS' ability to operate. Without these skills, ERS could not provide basic benefit and retirement services. The skills are listed below:

- Ability to interpret legislation;
- Ability to communicate detailed information;
- Ability to write guidelines and procedures for a targeted audience;
- Ability to use automated benefit systems;
- Ability to transition business processes from manual systems to web-based investment systems;
- Ability to develop long-term and short-term goals for the investment program;
- Ability to manage alternative asset classes;
- Risk management skills;
- Quality assurance skills;
- Ability to effectively and efficiently manage projects;
- Ability to identify and implement strategic technology and business responses to address issues and opportunities;
- Ability to develop and monitor complex contract plans; and
- Ability to think critically.

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

B. Workforce Demographics

As of May 31, 2016, the Employees Retirement System had 351 employees, including part-time and full-time staff, to carry out the mission of the agency. ERS offers competitive benefits to enhance the lives of its members. The following three pie charts illustrate the demographic make-up of ERS' workforce.

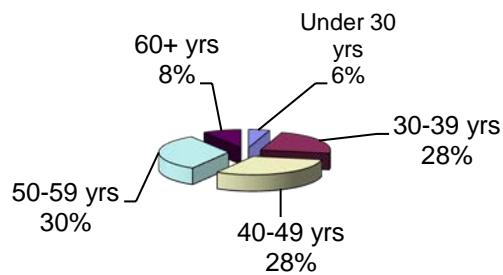
Workforce Breakdown

Gender

ERS' workforce is comprised of 57 percent females and 43 percent males.



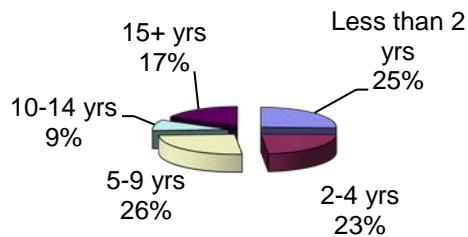
Age



More than 65 percent of the agency's employees are over the age of 40.

Agency Tenure

Over 51 percent of ERS' workforce has five years or more of state service and 48 percent of the workforce has fewer than four years of state service.



Agency Minority Workforce

The following table compares the percentage of minority workers at ERS as of May 31, 2016 to the statewide civilian workforce.

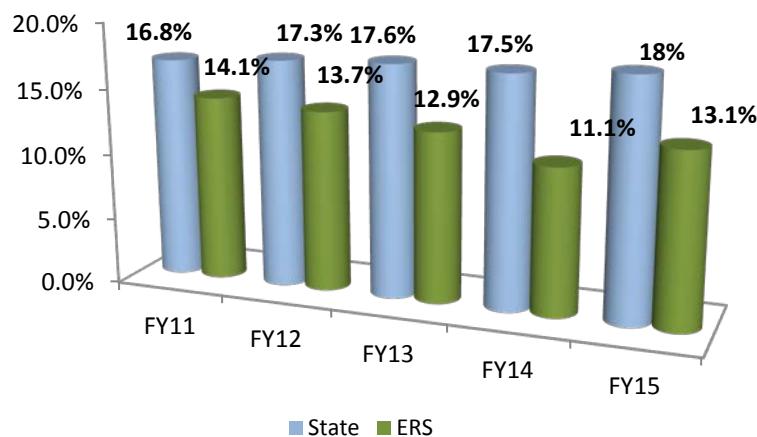
Job Category	African-American		Hispanic-American		Females	
	ERS %	State %	ERS %	State %	ERS %	State %
Officials, Administration	8%	7%	8%	21%	54%	37%
Professional ¹	9%	11%	17%	19%	63%	55%
Technical	9%	14%	13%	29%	32%	51%
Administrative Support	8%	14%	54%	33%	62%	73%
Skilled Craft	0%	10%	100%	49%	0%	11%
Service and Maintenance	0%	12%	50%	54%	0%	51%

Source Document for State percentage: Equal Employment Opportunity and Minority Hiring Practices Report Fiscal Years 2013-2014 published by the Texas Workforce Commission

There are four categories of zero-represented classes within ERS. These are African-American: Skilled Craft, and Service and Maintenance; and Female: Skilled Craft, Service and Maintenance. ERS only employs nine staff in Operation and Maintenance Services, which is a contributing factor to the under-representation in the Skilled Craft and Service and Maintenance categories.

Employee Turnover

The following graph compares the average ERS turnover to that of the State for fiscal years 2011 through 2015. During this time-period, ERS' turnover rate was below the statewide turnover rate.



As of May 31, 2016, the agency turnover rate is 7.4 percent for the current fiscal year.

¹ The State category "paraprofessional" is not listed in the Census data. ERS is reporting agency staff identified in internal systems as paraprofessionals in the "professional" category for the purposes of this report.

Turnover by Length of Service

Length of State Service	ERS Turnover % by Service FY 2015	State Turnover % by Service FY 2015
Less than 2 years	26%	37.3%
2 to 4.99 years	15.2%	19.3%
5 to 9.99 years	10.8%	11%
10 to 14.99 years	13%	9.6%
15 years and over	34.7%	12.6%
Overall Turnover	13.1%	18%

The highest percentage of turnover for state employees continues to be for those who have fewer than two years of service. The turnover rate for ERS employees who leave with fewer than two years of service is significantly lower than the state's percentage. ERS makes every effort to minimize turnover in this category by offering opportunities to cross-train employees for career development opportunities and by paying competitive salaries. ERS' highest turnover percentage rate was for the 15 years and over category. The high turnover in this group can be attributed to the number of retirements ERS experienced in FY15.

Turnover by Age

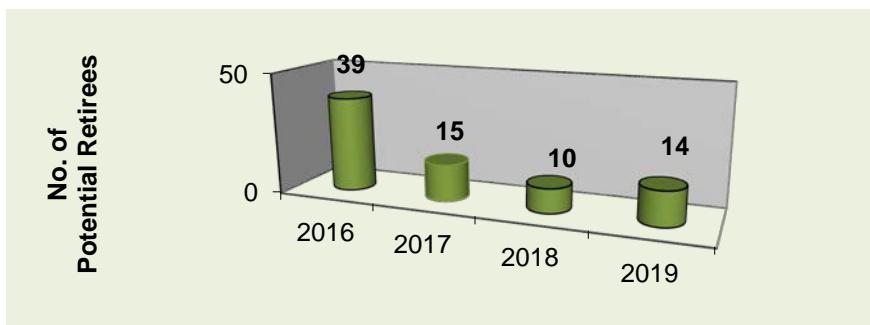
Turnover by age reflects the make-up of the agency workforce. Below is a chart showing the percentage of turnover by age.

	ERS Turnover % by Age FY 2015	State Turnover % by age FY 2015
Under 30 years	2.1%	35.2%
30 to 39 years	21.7%	17.3%
40 to 49 years	30.4%	10.8%
50 to 59 years	30.4%	13.6%
60 years and over	15.2%	21.5%
Overall Turnover	13.1%	18%

During fiscal year 2015, employees in the under 30 and 60 years and over groups experienced the lowest level of turnover at ERS. The greatest turnover was in the 40-49 years and the 50-59 years age groups.

Turnover from Projected Retirements

Based on limited data available, ERS projects that during the next three fiscal years, approximately 13 percent of ERS' workforce will be eligible to retire, taking with them institutional knowledge and expertise. ERS continues to prepare for the retirement of employees in key positions through succession planning, cross training, and employee development.



III. Future Workforce Profile

ERS is in the middle of a three-year period of designing and implementing systems to meet the challenges of five vision elements. The vision elements include:

- Engaging members
- Having dynamic internal and external collaboration
- Providing competitive sustainable benefits
- Having innovative solutions
- Demonstrating a model work environment

A. CRITICAL FUNCTIONS

ERS needs a workforce who can accomplish the following strategic directions:

- Supporting our members' retirement income security
- Sustaining competitive group benefits programs
- Engaging stakeholders for informed decision making
- Enhancing agency performance and accountability

B. WORKFORCE OPPORTUNITIES

Supervisors at ERS must have an ability to examine and improve business processes, and to lead their team through transitions of new and very complex systems, as well as effectively communicate the new processes to agency staff. Staff in the Investments Division must be experienced in various investment asset classes.

C. CRITICAL FUNCTIONS REQUIRED IN ACHIEVING THE STRATEGIC PLAN

The strategic directions identified under the critical functions subheading will continue to be necessary and important over the next several years. ERS customers continue to demand more, faster, and easier access to their benefit information, more innovative products, and reasonable costs for services and products. ERS offers and delivers services that are very complex. As a result, the skills to deliver the complex services will have to be acquired or developed by the agency workforce.

Leveraging skills and talents of ERS staff through employee and organization development is critical to the success of the agency. ERS must have a well-trained, highly skilled and flexible workforce to respond to the needs of both our customers and program changes resulting from federal and state legislation. Employees must continue to receive cross-training, formal training and re-training to maintain their employment with ERS.

D. Future Workforce Skills Needed

ERS relies on a competent and knowledgeable workforce. The following skills and abilities are essential for ERS' workforce to attain the five vision elements:

- Leadership, management and supervision skills;
- Ability to effectively communicate with internal and external customers;
- Investment skills;
- Ability to develop long-term and short-term goals for the investment program;
- Ability to manage alternative asset classes, private real estate, private equity, and hedge funds;
- Project management skills;
- Web-based technology skills;
- Contract management skills;
- Change management skills;
- Process analysis;
- Strategic planning; and
- Risk management skills.

IV. Survey of Employee Engagement Results and Utilization Plans

ERS has participated in the Survey of Employee Engagement (SEE) since the 1994 survey. The survey is used as a means of assessing employee attitudes toward the agency, identifying employee perceptions of the strengths and weaknesses of the agency, and identifying organizational areas that can be improved.

A. Response Rate

The employee response to the survey was exceptional. As a general rule, rates higher than 50 percent suggest soundness. High response rates suggest employees have an investment in the organization, want to see the organization improve, have a sense of responsibility to the organization and have a high expectation from the leadership to act on the survey results.

2016 = 89%

2014 = 81%

2012 = 91%

2010 = 91%

2008 = 68%

2006 = 84%

2004 = 79%

2002 = 61%

B. Overall Survey Score

This score is a broad indicator for overall comparison with other entities. It is composed of the average of all survey items and represents the overall score for the organization. Scores typically range from 325 to 375.

The overall survey score for ERS was 391

C. Construct Scores

The survey is organized into 12 categories, or concepts most utilized by leadership and those which drive organizational performance and engagement. Scores are measured as follows:

- Above 375 = areas of substantial strength (9 ERS scores)
- Between 350 – 375 = perceived more positively than negatively (2 ERS score)
- Between 325 - 349 = viewed less positively by employees (No ERS score)
- Below 325 = significant source of concern and requires immediate attention (1 ERS score)

D. The constructs and score results were:

1. Workgroup – the degree to which employees view their workgroup as effective, cohesive and open to the opinions of all members. **Score: 404 (new construct for 2016)**
2. Strategic – the degree to which employees understand their role in the organization and consider the organization's reputation to be positive. **Score: 425 (2014 Score: 419)**
3. Supervision – the degree to which employees view their supervisors as fair, helpful and critical to the workflow. **Score: 403 (2014 Score: 420)**
4. Workplace – captures employees' perceptions of the total work atmosphere, workplace safety, and the overall feel. **Score: 419 (new construct for 2016)**
5. Community – the degree to which employees feel respected, cared for, and have established trust with their colleagues. **Score: 395 (new construct for 2016)**
6. Information Systems – whether computer and communication systems enhance the ability to get the job done by providing accessible, accurate, and clear information. **Score: 365 (2014 Score: 386)**
7. Internal Communication – the degree to which employees view communication with peers, supervisors and other parts of the organization as functional and effective. **Score: 372 (2014 Score: 379)**
8. Pay – evaluation from the employees' viewpoint of the competitiveness of the compensation package, how well the package "holds up" when employees compare it to similar jobs in other organizations. **Score: 297 (2014 Score: 294)**
9. Benefits – employee perceptions of how the benefits package compares to packages at similar organizations and how flexible it is. **Score: 394 (2014 Score: 403)**
10. Employee Development – the degree to which employees feel the organization provides opportunities for growth in organizational responsibilities and personal needs in the employee's career. **Score: 402 (2014 Score: 415)**
11. Job Satisfaction – satisfaction with overall work situation; weighs heavily on work-life balance, sense of pride, and offering meaningful contributions to the workplace. **Score: 392 (2014 Score: 401)**
12. Employee Engagement – sense of trust, level of employees' participation in carrying out their work responsibilities towards delivering high quality work. **Score: 409 (2014 Score: 409)**

E. Climate Analysis

Another way to view and analyze the survey data is the climate analysis. The climate in which employees work does, to a large extent, determine the efficiency and effectiveness of an organization.

The appropriate climate is a combination of a safe, non-harassing environment with ethical-abiding employees who treat each other with fairness and respect. It is an organization with proactive management that communicates and has the capability to make thoughtful decisions.

- Atmosphere – a safe, non-harassing environment. **Score: 420** – substantial strength (2014 Score: 413)
- Ethics – the foundation of building trust within an organization where not only the employees are ethical in their behavior, but that ethical violations are appropriately handled. **Score: 424** – substantial strength (2014 Score: 422)
- Fairness – extent to which employees believe that equal and fair opportunity exists for all members of the organization. **Score: 396** – strength (2014 Score: 383)
- Feedback – opportunity to provide information in which improvement can occur. **Score: 352** – (2014 Score: 384)
- Management – being accessible, visible, and an effective communicator of information. **Score: 382** – (2014 Score: 407)

Plans for Continued Improvement

Survey results are made available to all employees via the agency's intranet to continue the process of improving internal communications. The agency is committed to researching and/or improving any areas that employees perceive as areas of concern.

Conclusion

ERS management considers the agency's participation in the survey as a valuable tool for improving agency operations. ERS will participate in future surveys with a goal to increase participation and improve key indicators related to employee morale. Comparison of future results with these goals, as well as with the benchmarks, will enable ERS to further define methods for addressing the needs of the agency and its employees.