

STATE PENSION REVIEW BOARD



AGENCY WORKFORCE PLAN

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PENSION REVIEW BOARD

P.O. BOX 13498

AUSTIN, TX 78711-3498

(512) 463-1736

(800) 213-9425

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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:

- 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.