

Schedule F: Agency Workforce Plan

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. For the fiscal year ending Aug. 31, 2021, which was the system's 83rd year of operation, TRS served 1,877,919 participants – 1,419,786 public and higher education members and 458,133 retirement recipients. As of Aug. 31, 2021, system net assets totaled approximately \$201 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.

TRS 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 pension 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 four staff members. The business of the system involves two broad functions: administering benefits (pension and health care) and managing investments. The financial, information technology and executive administration areas provide essential services to TRS' mission-critical divisions. Currently TRS has six major divisions: Benefit Services, Investment Management, Health and Insurance Benefits, Information Technology, Finance, and Executive. The following chart details the number of filled positions for each division as of fiscal year 2021.

FIGURE 3. TRS DIVISIONS AND POSITIONS



MISSION, STRATEGIC GOALS, AND OBJECTIVES

TRS MISSION

Improving the retirement security of our members by prudently investing and managing the Trust assets and delivering benefits that make a positive difference in their lives.

TRS has four goals as part of the Strategic Plan for FY 2023-27. Certain strategies related to TRS' workforce plan have been identified in Goal 4, Objective 1.

GOAL 4: Ensure that people, processes and technology align to achieve excellence in the delivery of services to members. (Sections 825.208, 825.212, and 825.213, Texas Government Code)

OBJECTIVE 1: Attract, retain and develop a diverse and highly competent staff.

Strategy 1: Position TRS as an employer of choice to meet the needs of our current and future workforce.

Strategy 2: Promote a strong workplace culture that is inclusive and fosters creativity and innovation.

Strategy 3: Improve diversity representation at all levels of the organization.

Strategy 4: Expand learning and development opportunities.

Strategy 5: Develop and implement a comprehensive workforce strategy that includes ex-

panded remote work, onsite facility needs, appropriate compensation and staffing levels, and the technological tools necessary to support appropriate workforce strategies.

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, board directives or other external forces. 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;
- changes suggested from external reviews;
- effective management of complex, diversified investment portfolios; and
- increased challenges implementing mandated changes to benefit plans.

In addition to the factors listed above, TRS successfully maintained a remote work environment throughout much of calendar year 2020. In calendar year 2021, TRS transitioned to a hybrid work environment with onsite workforce of typically 25%. Analyses have been conducted based on position responsibilities and member needs to determine which positions are best suited for fully remote versus hybrid versus fully onsite work environments. TRS is currently working in a hybrid work environment and anticipates continuing this benefit to staff. TRS' COVID response team expanded its work to include Return to Office initiatives, which have been key in supporting staff and leadership.

The transition from remote work to hybrid has been positive, due in part to a remote work policy which has been in place since 2016, strong support and Organizational Change Management efforts, and information technology capabilities which allow employees to work from anywhere.

Member annuities continue to be paid, medical and pharmacy claims continue to be processed, and

investment activities are ongoing. TRS successfully completed the largest procurement in agency history, saving \$745 million across TRS-Care and TRS-ActiveCare over the next three to five years.

TRS has implemented the management actions and statutory changes resulting from the Sunset Advisory Commission review. Major provisions of the bill include comprehensive changes to Employment After Retirement (EAR); hiring an Ombuds to assist members and retirees by performing protection and advocacy functions; developing an Outreach Plan to assist members and employers with effectively planning for member's retirement; and requiring TRS to make all reasonable efforts to locate and notify members of entitlements to a return of accumulated contributions for inactive accounts.

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 and financial systems. The skills that are most critical to support TRS' core functions include:

- pension administration;
- health benefit plan management;
- investment expertise, including diversified portfolio management skills and managing alternative asset classes;

- information technology, including telecommunications, web design, programming, information security and systems administration;
- developing and monitoring complex contracts; and
- specialized professional skills (including accounting, auditing, human resources, and legal).

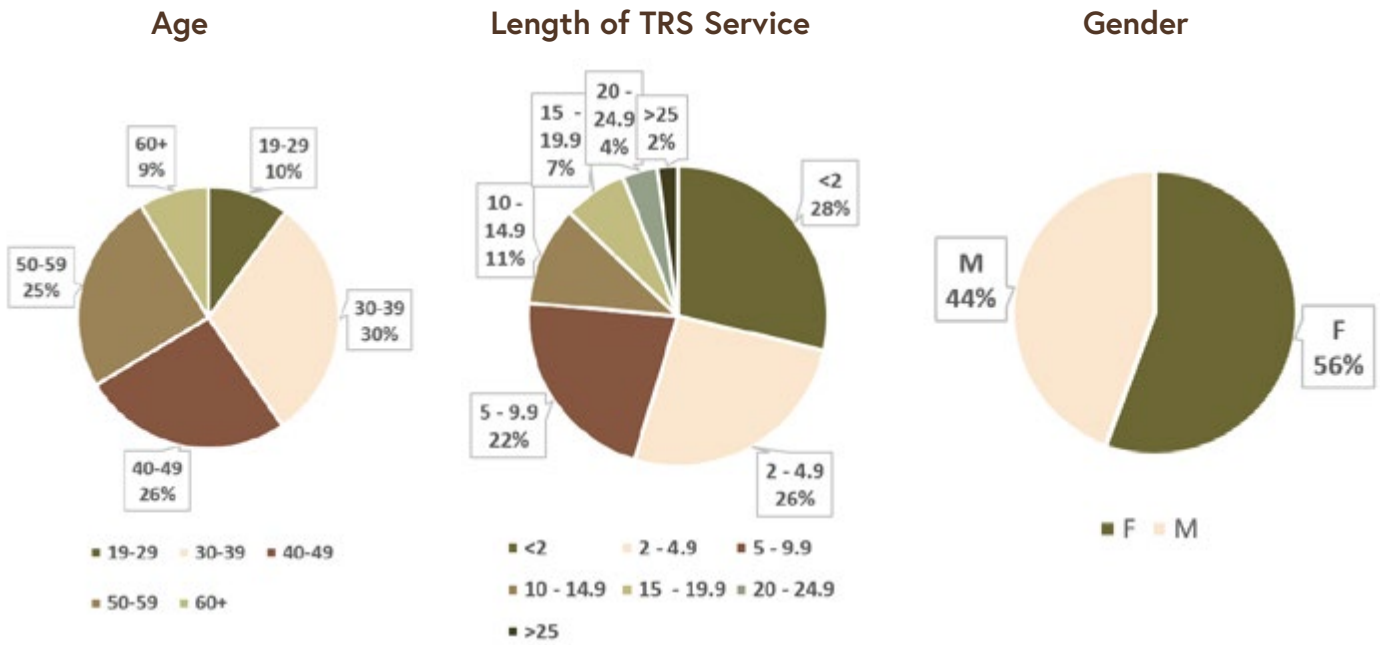
TRS has been successful attracting and developing staff with the following skills and competencies to meet critical business needs and are essential to successfully achieve TRS' mission and goals:

- 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 Aug. 31, 2021. The TRS workforce is comprised of 56% females and 44% males. Approximately 54% of employees have been with TRS less than five years. Approximately 34% are 50 years of age or older.

FIGURE 4. DISTRIBUTION OF TRS EMPLOYEES BY AGE, LENGTH OF TRS SERVICE, AND GENDER



The following table compares the ethnic and gender composition of the TRS workforce (as of Aug. 31, 2020) to the statewide (Texas) civilian workforce as reported by the Texas Workforce Commission (TWC) – Civil Rights Division (CRD). TRS actively monitors this information and adjusts its recruitment strategies to address underrepresentation.

TABLE 1. ETHNIC AND GENDER COMPOSITION OF THE TRS WORKFORCE

Job Category	% African-American at TRS	% African-American in Statewide Workforce	% Hispanic at TRS	% Hispanic in Statewide Workforce	% Female at TRS	% Female in Statewide Workforce
Officials/Administration	6.54%	8.54%	11.29%	24.74%	51.61%	41.71%
Professional	8.92%	10.90%	18.98%	21.77%	47.63%	54.13%
Technical	30.77%	15.05%	23.08%	29.75%	69.23%	56.85%
Administrative Support	21.05%	14.60%	42.11%	36.53%	68.42%	74.74%
Service/Maintenance	7.69%	13.33%	46.15%	52.96%	7.69%	54.02%

*TWC combines data for paraprofessionals and service/maintenance for purposes of this report. TRS does not have any employees in the Skilled Craft Category.

To continue to offer our members excellence in the delivery of service, TRS embraces a strategy from the top down that encourages, supports, and is accountable for diversity at all levels and in all divisions of the organization. TRS is executing a multi-faceted approach to improve diversity representation at all levels of the organization and to create an inclusive work environment that fosters creativity and innovation. This approach includes a collaborative partnership between divisions and our Diversity, Equity & Inclusion (DE&I) Director. TRS has established a DE&I Employee Council and six employee resource groups. TRS has maintained diversity recruiting and outreach during the pandemic and return to office. Some tactics include targeted advertising of vacancies, ongoing participation in diversity job fairs, cultural awareness learning opportunities and developing cultural intelligence/ managing bias 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 August 2020).

For the 2023-27 Strategic Plan, DE&I initiatives are included in Goal 4. Objectives and tactics related to DE&I will revolve around talent acquisition efforts and increasing retention and engagement through enhanced DE&I collaborations with Organizational Excellence.

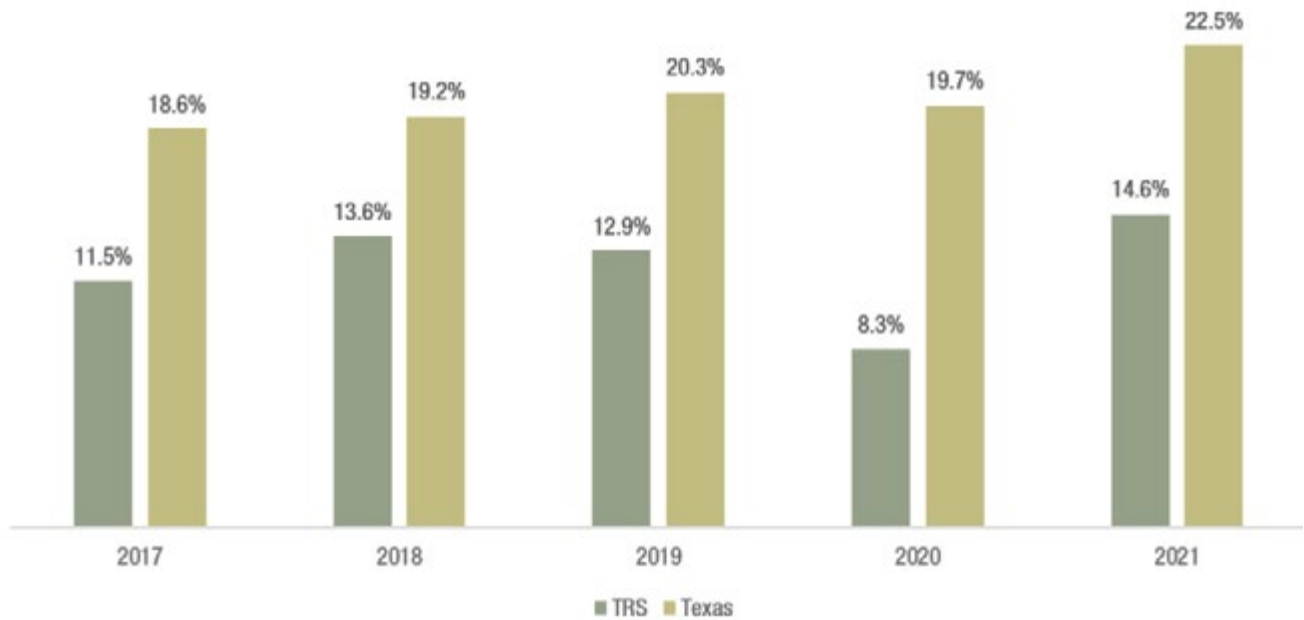
EMPLOYEE TURNOVER

As reflected in the following chart, employee turnover at TRS has consistently been below the statewide average among state agencies, as reported by the State Auditor's Office. In fiscal year 2021, TRS turnover was 14.6%, well below the state average of 22.5% for the same period.

Fiscal year 2021 presented the nationwide and local labor markets with challenges that were unanticipated. Named both "the great resignation" and "the great reshuffle," employees' perceptions of work, coupled with burnout and colored by the pandemic, changed. In Austin, TRS had the additional challenge of a labor market flooded with new positions and new employers. TRS anticipates that its turnover rate may continue to fluctuate with the Austin and national economies but hopes mitigations and recruitment efforts will keep overall turnover below the state average.

To address the significant challenges TRS has experienced in hiring and retention, effective Sept. 1, 2022, TRS, with board approval, exercised their statutory exemption to create a compensation structure to more effectively manage these needs. This mitigation and flexibility is hoped to increase ability to recruit in these unprecedented times and to encourage retention.

FIGURE 5. EMPLOYEE TURNOVER



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 Aug. 31, 2021.

TABLE 2. RETIREMENT ELIGIBILITY PROJECTIONS

	January 2022		January 2024		January 2026	
	Eligible Employees	Percent Eligible	Eligible Employees	Percent Eligible	Eligible Employees	Percent Eligible
Executive Division	30	3.5%	38	4.5%	53	6.3%
Investment Management	5	0.6%	7	0.8%	16	1.9%
Benefit Services	18	2.1%	25	3.0%	35	4.1%
Shared Services	33	3.9%	40	4.8%	49	5.8%
Health and Insurance Benefits	0	0.0%	2	0.2%	3	0.4%
Total	86	10.2%	112	13.2%	156	18.4%
Executive Council Members	6	40.0%	8	53.3%	8	53.3%

FUTURE WORKFORCE PROFILE (DEMAND ANALYSIS)

The size of the population served by TRS and the need to provide timely, professional customer service continues to expand. TRS monitors business processes and FTE employee levels and makes adjustments as necessary to efficiently provide excellence in customer service to members. TRS looks to continual business process improvement in addition to staffing levels to meet the needs of members.

The continued growth in the size and complexity of the TRS lines of business has required additional member services professionals, technology professionals, business analysts, investment professionals, 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 member 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, TRS will continue to need staff with specialized investment management skills, including alternative asset management and portfolio risk management.

TRS' 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
- Purchasing administration and support
- Information technology including telecommuni-

cations, 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
- Continuity planning and knowledge management for executive leadership, portfolio management and health benefit plan management

Based on changes in the labor market and physical work environment, TRS talent acquisition efforts will continue to evolve ensuring TRS is maximizing talent pools of highly qualified statewide candidates that will excel in both remote and office environments.

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:

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

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 continues to meet our mission and goals.

TABLE 3. POTENTIAL GAPS IN THE WORKFORCE PLAN

POTENTIAL GAP	STRATEGY
Increased competition for experienced staff in certain fields	<p>Maintain a work environment that allows TRS to attract, retain and develop highly competent staff that provides excellence in the delivery of service to members. Action steps include:</p> <ul style="list-style-type: none"> • Promote a strong workplace culture that exemplifies TRS' core values and mission to serve members. • Provide employee development opportunities including learning and career development. • Promote staffing needs and workforce management that maximizes deliverables to members and stakeholders, including adding staff resources. • Refine TRS' talent acquisition and management programs to attract, retain and motivate a highly diverse, highly competent workforce. • Maintain recognition programs and offer other engagement 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.
Changing roles and responsibilities for staff as a result of legislation or agencywide 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.
Loss of institutional knowledge and expertise due to turnover of critical staff	<p>Ensure a smooth transition of duties, responsibilities and institutional expertise when critical staff leave the agency. Action steps include:</p> <ul style="list-style-type: none"> • Conduct best practices for business process reviews and utilize existing knowledge management and transfer programs and techniques. • Utilize the Leadership Development Program to offer staff the opportunity to be prepared for leadership positions as they become vacant. • Continue to maximize opportunities for cross-training efforts and create framework for greater utilization.

	<ul style="list-style-type: none"> • Create career development opportunities including opportunities to experience and manage next level work. • Refine and evolve development of succession plans to ensure continuous service during any period of extended absence or turnover among critical staff. • Maintain effective talent acquisition practices and strategies (such as use of contingent staff, internships, fellowships, employee value propositions and proactive sourcing) to attract, develop and retain qualified replacement staff.
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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 activities and collaborations that market TRS as an employer of choice and have potential to increase diversity among TRS staff.
- Internship and fellowship 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, proactive sourcing, remote staff 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.