



WORKFORCE PLAN

FOR FISCAL YEARS 2013-2015



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 TexaSaver Program. We also manage and invest the ERS Trust for the sole benefit of retirement system members.

A. Mission

ERS supports the State's workforce by offering competitive benefits at a reasonable cost.

B. Philosophy

ERS is dedicated to the prudent management of the trust funds for which we are responsible. We recognize that the benefits we administer provide an important part of the compensation of public employees, contributing to the financial security of our participants. Therefore, we operate in a professional and cost-effective manner, ensuring that every participant receives quality and reliable service.

C. Principles

TRUST - Earn and maintain the trust of our stakeholders

INTEGRITY - Commit to making ethical and prudent decisions

RESPECT - Show regard for our stakeholders

SERVICE - Deliver efficient service to all participants

FLEXIBILITY - Able to change and cope with variable circumstances

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

STEWARDSHIP - Manage resources in line with principles

D. Strategic Directions and Strategies

STRATEGIC DIRECTION - SUPPORTING RETIREMENT SECURITY

Strategies:

- Improve 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
- Share Responsibility for Plan Costs
- Provide Resources for Developing Policy

STRATEGIC DIRECTION - ENGAGING STAKEHOLDERS FOR INFORMED DECISION MAKING

Strategies:

- Simplify Communications and Measure The Effectiveness
- Leverage Internal and External Resources
- Provide Proactive Targeted Messaging that Meets Stakeholder Needs

STRATEGIC DIRECTION - ENHANCING AGENCY PERFORMANCE AND ACCOUNTABILITY

Strategies:

- Leverage Skills and Talents of ERS Staff Through Employee and Organization Development
- Increase Process Efficiency
- Integrate Agency Planning, Activities and Communication
- Plan to Maintain Institutional Knowledge and Meet Changing Needs

II. **CURRENT WORKFORCE PROFILE** (Supply Analysis)

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 effective and efficiently manage projects;
- Ability to identify and implement strategic technology and business responses to address issues and opportunities; and
- Ability to develop and monitor complex contract plans.
- Ability to think critically.

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

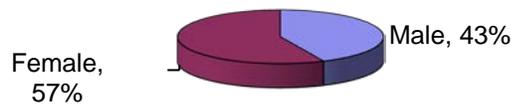
B. Workforce Demographics

As of May 31, 2012, the Employees Retirement System had 313 employees, including part-time and full-time staff, to carry out the mission of the agency. ERS enhances the lives of our participants through the delivery of quality benefits at a reasonable cost. The following three pie charts illustrate the demographic make-up of ERS' workforce.

Workforce Breakdown

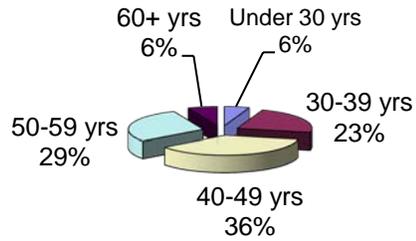
Gender

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



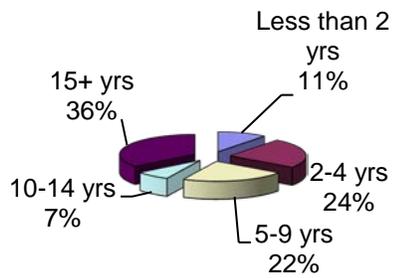
Age

More than 71 percent of the agency's employees are over the age of 40.



Agency Tenure

Over 65 percent of ERS' workforce has five years or more of state service.



Agency Minority Workforce

The following table compares the percentage of minority workers at ERS as of May 31, 2012 to the statewide civilian workforce.

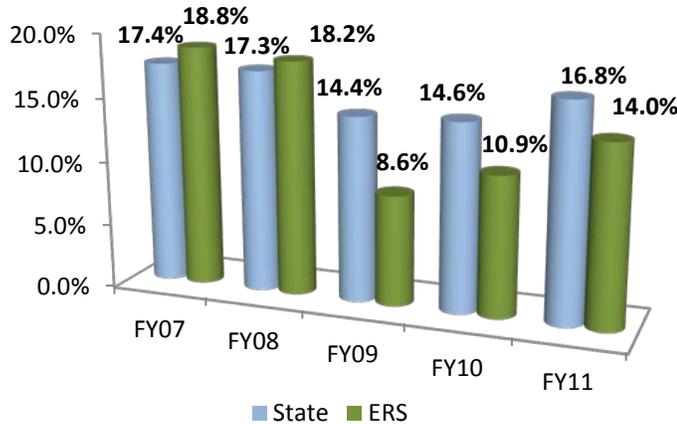
Job Category	African-American		Hispanic-American		Females	
	ERS %	State %	ERS %	State %	ERS %	State %
Officials, Administration	0%	4%	20%	10%	53%	30%
Professional	4%	9%	13%	9%	47%	46%
Technical	9%	13%	9%	16%	45%	40%
Para-professional	14%	23%	15%	29%	84%	56%
Administrative Support	14%	19%	41%	22%	73%	81%
Skilled Craft	0%	10%	100%	24%	0%	17%
Service and Maintenance	0%	29%	50%	36%	0%	21%

Source Document for State percentage: Civilian Workforce Comparison Chart, EEOC National Employment Summary EEO-4 2001 and EEO-1 2002

There are five categories of zero-represented classes within ERS. These are African-American: Officials/Administration, Skilled Craft, and Service and Maintenance; and Female: Skilled Craft, Service and Maintenance. ERS only employs nine staff in Operation and Maintenance Services, which explains 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 2007 through 2011. During this time-period, ERS' turnover rate was below the statewide turnover rate except in fiscal year 2007-08 when ERS experienced some departmental reorganization that resulted in a limited reduction in force.



As of May 31, 2012, the agency turnover rate is 10 percent. Annualizing this figure gives ERS a projected turnover rate for fiscal year 2012 of 12.5 percent.

Turnover by Length of Service

Length of State Service	ERS Turnover % by Service FY 2011	State Turnover % by Service FY 2011
Less than 2 years	1.6%	38.2%
2 to 4.99 years	4.2%	18.3%
5 to 9.99 years	2.9%	11.0%
10 to 14.99 years	2.2%	8.9%
15 years and over	3.2%	11.4%
Overall Turnover	14%	16.8%

The highest percentage of turnover for state employees continues to be for those who have less than two years of service. The turnover rate for ERS employees who leave with less than two years

of service is significantly lower than the state's percentage. ERS highest percentage rate is within the 2 to 4.99 years category. ERS makes every effort to minimize turnover in this category by cross-training employees for career ladder opportunities and by using competitive salaries. The higher rate of turnover for ERS employees with 15 years or more of service is primarily due to retirements.

Turnover by Age

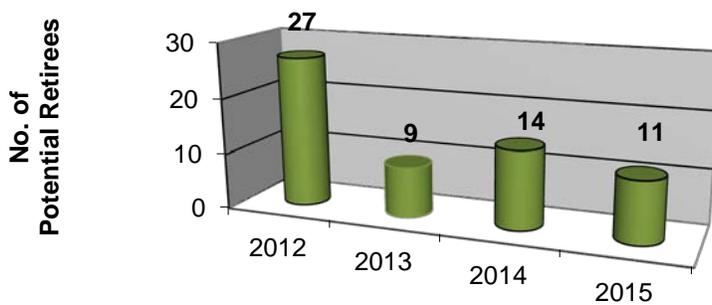
Turnover by age reflects the make-up of the agency workforce. Below is a chart showing the percentage of turnover by age.

	ERS Turnover % by Age FY 2011	State Turnover % by age FY 2011
Under 30 years	0.3%	32.5%
30 to 39 years	3.2%	16.0%
40 to 49 years	5.1%	10.0%
50 to 59 years	4.2%	13.1%
60 years and over	1.3%	23.3%
Overall Turnover	14%	16.8%

During fiscal year 2011, employees in the Under 30, and 60 years and over age groups experienced the lowest level of turnover at ERS, and experienced the greatest turnover in the 40-49 and 50-59 years age group.

Turnover from Potential Retirements

Based on limited data available, the agency projects that during the next three fiscal years, approximately 19 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 (Demand Analysis)

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 retirement security
- Sustaining competitive group benefits programs
- Engage stakeholders for informed decision making
- Enhance 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 will continue to offer and deliver 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 six vision elements:

- Leadership, management and supervision skills;
- Ability to effectively communication 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 areas that could be improved.

A. *Response Rate*

ERS' employee response to the SEE 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.

- 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.

ERS' overall survey score was 387.

C. *Construct Scores*

The survey is organized into 14 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 (12 ERS scores)
- Between 350 – 375 = perceived more positively than negatively (1 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)

The constructs and score results were:

- Physical Environment - perception of work setting, degree to which employees believe a safe and pleasant working environment exists. (Score: 422)

- Strategic - how the organization responds to external influence, which play a role in defining the mission, services and products provided by the organization. (Score: 409)
- External Communication – how information flows out to the organization. (Score: 408)
- Benefits – role that the employment benefit package plays in attracting and retaining employees. (Score: 400)
- Supervision – perceived supervisory relationships within the organization including leadership, communication of expectations, and sense of fairness. (Score: 399)
- Team – perceptions of effectiveness of their work group and the extent to which the organizational environment supports appropriate teamwork among employees. (Score: 397)
- Quality – degree to which quality principles, such as customer service and continuous improvement, are a part of the organizational culture. (Score: 397)
- Employee Engagement – sense of trust, level of employees’ participation in carrying out their work responsibilities towards delivering high quality work. (Score: 396)
- Employee Development – perceptions of priority given to employee career and personal development. (Score: 396)
- Job Satisfaction – satisfaction with overall work situation; weighs heavily on work-life balance, sense of pride, and offering meaningful contributions to the workplace. (Score: 386)
- Information Systems – whether computer and communication systems enhances the ability to get the job done by providing accessible, accurate, and clear information. (Score: 382)
- Diversity – extent to which employees feel that individual differences, including ethnicity, age and lifestyle, may result in alienation and/or missed opportunities for learning or advancement. (Score: 380)
- Internal Communication – communication exchanges within the organization; extent to which employees view information exchanges as open, honest, and productive. (Score: 358)
- Pay – evaluation from the employees’ viewpoint of the competitiveness of the total compensation package, how well the package “holds up” when employees compare it to similar jobs in their own communities. (Score: 271)

D. 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 – free of harassment in order to establish a community of reciprocity. (Score: 405 – substantial strength)
- Ethics – foundation of building trust within an organization where not only are employees ethical in their behavior, but that ethical violations are appropriately handled. (Score: 409 – substantial strength)
- Fairness – extent to which employees believe that equal and fair opportunity exists for all members of the organization. (Score: 365 – perceived more positively than negatively)
- Feedback – essential element of organizational learning by providing the necessary data in which improvement can occur. (Score: 359 – perceived more positively than negatively)
- Management – climate presented my Management as being accessible, visible, and an effective communicator of information is a basic tenant of successful leadership. (Score: 382 – substantial strength)

E. 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 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.