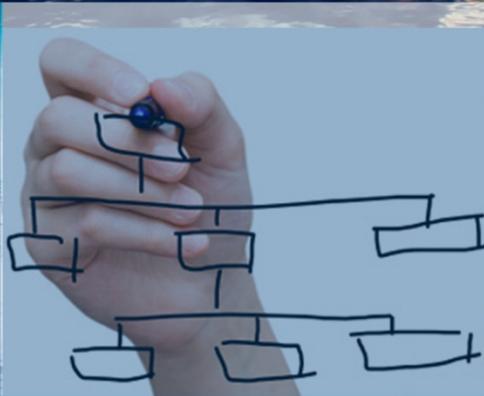




Teacher Retirement System of Texas
WORKFORCE PLAN

2015-2019



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 1,369,640 participants – 1,021,412 are public and higher education members, and 348,228 are retirement recipients. As of August 31, 2013, system net assets totaled approximately \$117.1 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 out of two adjoining buildings at 1000 Red River Street as well as 47,034 square feet of leased space at 816 Congress Avenue that houses the TRs Investments Management Division. Both locations are in downtown Austin, Texas. The business of the system involves two broad functions: administering benefits and managing investments. The financial, information technology and administration areas provide essential services to the system's mission-critical divisions (see the organization chart in Appendix B of the *TRs Strategic Plan 2015 - 1019*). To serve members throughout the state, benefit counseling employees travel on a regular basis to make group presentations and provide one-on-one counseling sessions. TRs also uses Web-based services, a telephone counseling center and an interactive voice response system to provide service to those outside of the Austin area.

The majority of full-time equivalent (FTE) employees are funded from the pension plan trust funds administered by TRs. Health insurance programs (TRs-Care and TRs-ActiveCare) are funded separately and are exempt from the agency's FTE cap. TRs has seen an increase in budgeted FTEs primarily as a result of the TRs Enterprise Application Modernization (TEAM)

Program. These FTEs, budgeted for the duration of the program, do not count against the agency's FTE limitation. The budgeted FTEs allocated to each function are shown in the following chart.

TRS Budgeted FTEs

FTE Category	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
TRS Trust Funds	475.3	476.6	475.3	475.3	503.3
TEAM*	0.0	0.0	6.8	15.0	53.0
Insurance Funds	55.0	55.0	55.0	56.0	57.5
TRS Total	530.3	531.6	537.1	546.3	613.8

*TEAM FTEs are paid from the trust fund, but are listed separately for the purposes of this chart.

Staffing pressures have been a result of continued growth in membership and assets of the pension fund, as well as additional responsibilities authorized by the legislature. While growth in membership and fund size is projected to continue, TRS will continue to assess its staffing requirements carefully and address them as appropriate.

A. Organization Mission

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.

B. Strategic Goals and Objectives

TRS has the following goals:

GOAL 1: Sustain a financially sound pension trust fund.	
Objective	To manage an actuarially sound retirement system that maintains an amortization period of less than 31 years.
Strategies	<ul style="list-style-type: none"> • Monitor trust funding status. • Foster and maintain an effective working relationship with legislative stakeholders on trust sustainability issues. • Develop/improve the communication strategy for employer and participant stakeholders with respect to the sustainability of the trust.
Objective	Create a process to develop and implement an investment policy capable of achieving the trust's actuarial assumed rate of return as measured on rolling 20-year periods.
Strategies	<ul style="list-style-type: none"> • Establish and implement an effective investment governance structure. • Establish a world-class investment policy statement.

Objective	Develop and maintain a sound, professional and systematic risk management and capital allocation system.
Strategies	<ul style="list-style-type: none"> • Establish the trust's asset allocation to meet the return and risk goals as determined by the Investment Policy. • Where appropriate, pursue added investment returns through individual security selection. • Employ a dedicated investment risk management function to help maintain appropriate risk exposures. • Ensure investment decisions are properly executed and tracked by maintaining an effective investment operations unit.
Objective	Create and maintain a highly capable and diversified external network of global investment, trading, and consulting relationships.
Strategies	<ul style="list-style-type: none"> • Establish a repeatable certification process for the selection of external investment managers. • Develop deep strategic relationships with key external partners. • Leverage the resources and intelligence of the external network to complement internal capabilities. • Use external network to optimize trading and execution.
GOAL 2: Build and maintain strong, customer-focused relationships.	
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 2017.
Strategies	<ul style="list-style-type: none"> • Prepare planning documents for pension line of business (LOB) implementation. • Validate commitments in LOB request for offer (RFO) and define high-level requirements for phase 1. • Define detailed requirements and use cases for the LOB Phase 1. • Design, build, and test LOB system components for phase 1. • Ensure that staff and users are properly trained on phase 1 functionality of the new LOB system. • Go live with phase 1 of the pension LOB system. • Validate commitments in LOB RFO and define high-level requirements for phase 2. • Define detailed requirements and use cases for the LOB phase 2. • Design, build, and test LOB system components for phase 2. • Ensure that staff and users are properly trained on phase 2 functionality of the new LOB system. • Go live with phase 2 of the pension LOB system. • Prepare TRS data for migration to the new pension LOB system. • Develop detailed requirements and envision functionality for the new financial system. • Design, build and test the new financial system.

Objective	Continuously improve quality of work and customer service levels for our participants.
Strategies	<ul style="list-style-type: none"> • Explore, review and consider relevant industry benchmarks that encourage service excellence. • Provide and maintain accurate, timely, and consistent information to participants, reporting entities, and other stakeholders in line with customer service benchmarks.
Objective	Develop and maintain ongoing stakeholder information and education to support the mission of TRS and provide excellence in our response.
Strategies	<ul style="list-style-type: none"> • Provide (TRS) Mission-centric and broader communication to stakeholders. • Continue to improve inquiry responsiveness to help participants make better financial, retirement and health care decisions. • Leverage technological advances to assist with communication of information.
GOAL 3: Facilitate access to competitive, reliable health care benefits for our members.	
Objective	Manage the revenues and expenses of TRS-Care and TRS-ActiveCare.
Strategies	<ul style="list-style-type: none"> • Improve revenue to TRS-Care and TRS-ActiveCare. • Manage the 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 health care for our participants.
Strategies	<ul style="list-style-type: none"> • Communicate and promote the TRS-Care and TRS-ActiveCare sustainability study. • Implement any legislative changes related to the access to health care.
GOAL 4: Attract, retain, and develop a highly competent staff.	
Objective	Develop and maintain a desirable work environment.
Strategies	<ul style="list-style-type: none"> • Promote a strong workplace culture that exemplifies TRS' core values and emphasizes TRS' mission. • Provide a physical work environment that is safe and enhances productivity.
Objective	Develop an effective recruitment/retention strategy and a competitive total rewards package.

Strategies	<ul style="list-style-type: none"> • Develop and execute workforce plan. • Expand recruitment efforts. • Identify and implement successful strategies to retain and promote top-performing employees and managers. • Provide employee development opportunities. • Review, update and enhance TRS' compensation and total rewards package.
<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>	
Objective	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.
Strategies	<ul style="list-style-type: none"> • Develop and implement a plan for increasing the use of HUBs through purchasing contracts and subcontracts.

C. Anticipated Changes in Mission, Strategies, and Goals

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.

II. Current Workforce Profile (Supply Analysis)

A. Critical Workforce Skills

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).

The following competencies are also essential to successfully achieve TRS' mission and goals:

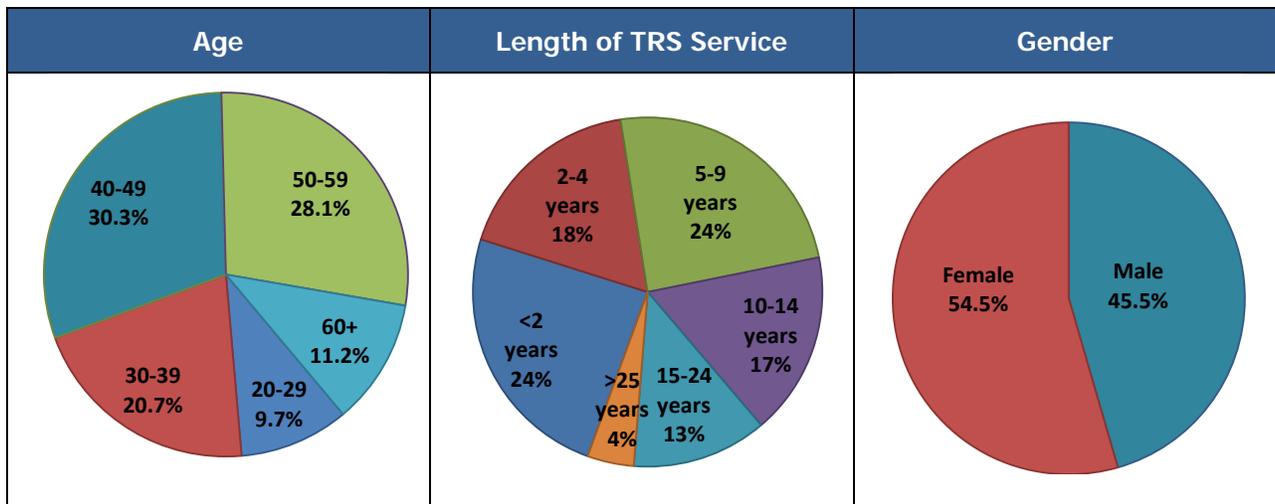
- ▶ Accountability;
- ▶ Business process analysis;
- ▶ Critical thinking and problem solving;
- ▶ Project management;
- ▶ Strategic planning;
- ▶ Leadership;
- ▶ Adaptability;
- ▶ Customer service; and
- ▶ Communication and collaboration.

TRS has been successful attracting and developing staff with these skills and competencies to meet critical business needs. See the *Future Workforce Profile* (Section III) for further analysis.

B. Workforce Demographics

The following charts profile the system's workforce as of FY 2014, Quarter 1. The TRS workforce is comprised of 54.5 percent females and 45.5 percent males. Approximately 42 percent of employees have been with TRS less than five years. Approximately 39 percent are 50 years of age or older.

Distribution of Employees by Age, TRS Length of Service and Gender



The following table compares the ethnic and gender composition of the TRS workforce (as of Aug. 31, 2013) to the statewide (Texas) civilian workforce as reported by the Texas Workforce Commission—Civil Rights Division (CRD) in the *2011-2012 Equal Employment Opportunity and*



Minority Hiring Practices Report. TRS actively monitors this information and adjusts its recruitment strategies to target areas of under-representation.

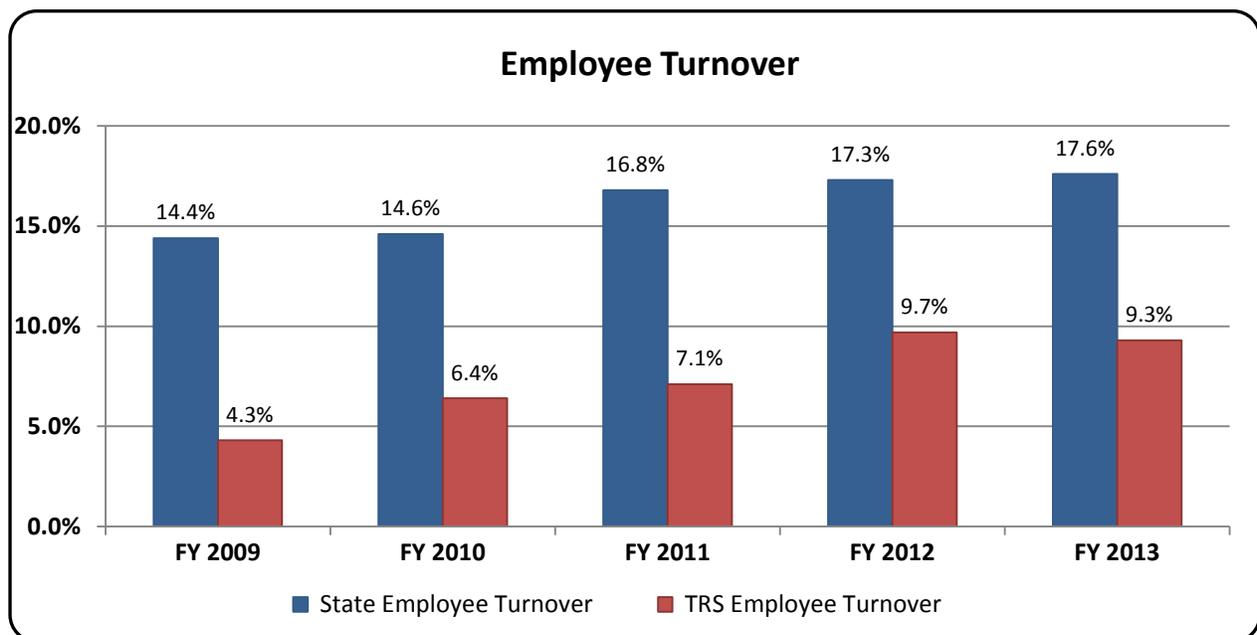
Job Category	African American		Hispanic American		Female	
	TRS %	Texas %	TRS %	Texas %	TRS %	Texas %
Official/Administrator	2.6%	9.0%	7.7%	19.5%	38.5%	39.3%
Professional	4.7%	11.3%	16.1%	17.4%	46.2%	59.1%
Technical	11.1%	14.2%	33.3%	21.4%	38.9%	41.5%
Administrative Support	19.0%	13.6%	42.9%	30.5%	42.9%	65.6%
Service/Maintenance/ Paraprofessional*	14.4%	14.7%	34.0%	48.2%	73.2%	40.8%
Total	8.6%	12.1%	23.1%	33.1%	54.5%	45.7%

*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).

C. 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 2013, TRS turnover was 9.3 percent, well below the state average of 17.6 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.



D. 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, 2013.

Percent of TRS Employees Eligible to Retire as of:

Division	January 2014		January 2017		January 2019	
	Eligible Employees	Percent Eligible	Eligible Employees	Percent Eligible	Eligible Employees	Percent Eligible
Executive Division	22	28.6%	29	37.7%	36	46.8%
Investment Management	5	3.9%	9	7.0%	11	8.5%
Benefit Services	21	12.0%	34	19.4%	45	25.7%
Finance Division	17	21.3%	30	37.5%	38	47.5%
Information Technology	24	26.9%	29	32.3%	38	41.9%
Health Care Policy and Administration	2	7.4%	7	25.9%	8	29.6%
Total	91	16.9%	138	24.9%	176	31.3%

III. Future Workforce Profile (Demand Analysis)

A. Expected Workforce Changes

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.

B. Future Workforce Skills Needed

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.

IV. 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, and reviewing talent management strategies. 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 agencywide initiatives.
- Increased competition for experienced staff in certain fields.

V. 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 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.
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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