

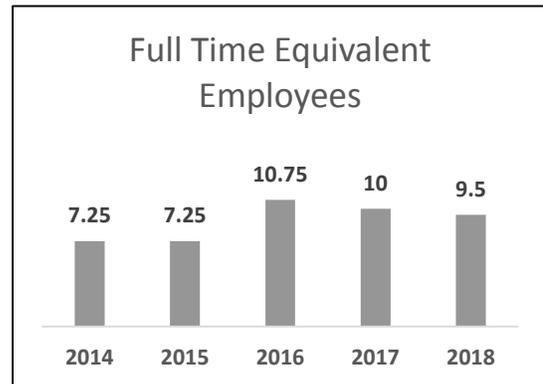
Texas Emergency Services Retirement System Workforce Plan (2019-2023)

Phase 1: Agency Overview (Strategic Direction)

The State of Texas created Texas Emergency Services Retirement System (TESRS) in 1977 to finance a pension system for volunteer firefighters and first responders. TESRS offers volunteer departments the opportunity to recognize, protect, and financially reward volunteers for their years of dedicated service to their communities. There are currently 237 departments participating in the pension system.

Authority for the agency exists under Title 8 of the Texas Government Code, Subtitle H, entitled Texas Emergency Services Retirement System.

Article 16 Section 67 of the Texas Constitution directs that the financing of benefits must be based on sound actuarial principles and that the assets of a system are held in trust for the benefit of members and may not be diverted.



Agency Mission

The agency's mission is to provide secure and meaningful benefits for members and their families, prudently manage assets, and recruit/retain additional members by offering a cost-effective solution to sponsoring entities.

Agency Strategic Goals and Objectives

Agency Goal: SOUND PENSION FUND

To ensure that pension funds for volunteer emergency services personnel are actuarially sound and that they receive the benefits to which they are entitled.

Agency Objective 1.1: ADMINISTER VOLUNTEER PENSION FUND

Administer a pension fund for volunteer emergency services personnel by receiving contributions from sponsoring entities; investing surplus funds; servicing the member database; and providing services and benefit payments to members and their dependents.

Agency Objective 1.2: RECRUITING AND TECHNICAL ASSISTANCE

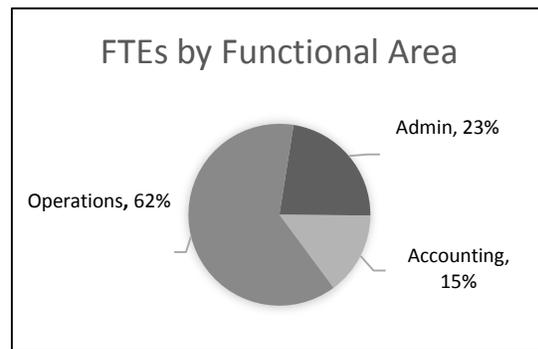
Manage both new and existing member departments by providing needed program monitoring and technical assistance and by directing resources to recruit new departments.

Core Business Functions

The primary responsibility of the agency is to administer pension benefits, which requires staff to work with retirees, active members, departments, and Local Board members. The provision of technical assistance to participating departments, Local Boards, and departments interested in participation includes training and information about the pension system processes and requirements for members to receive their retirement annuity. The agency distributes pension benefits to retirees on a monthly basis, as well as disbursing death and disability benefits.

The TESRS Board of Trustees (Board) outsources the most critical functions of the pension system to firms with the required professional and technical expertise. These include:

- Actuarial Services
- Investment Counsel
- Outside Legal Counsel
- Financial Audit Services
- Securities Custody Services
- Investment Management
- Database Administration
- Information Management Systems
- Cybersecurity
- Web Hosting



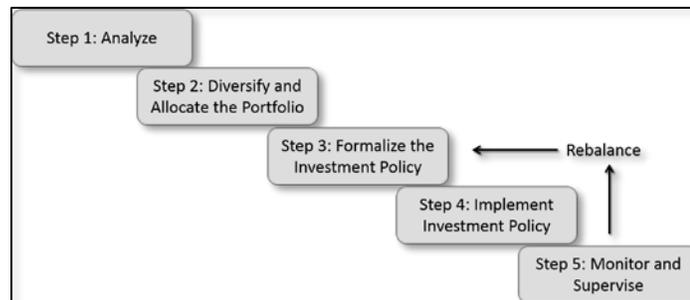
Administration

The Administrative functional area is responsible for supporting the Board, scheduling and hosting Board meetings, implementing the investment program, implementing the actuarial valuation of the System, and administering human resources.

Managing the TESRS investment process is the most dynamic business function of the agency. Success is dependent upon the combined efforts of the Board, agency staff, investment consultants, and individual investment managers.

The Board’s investment process is best described as a Five-Step Investment Process. The Board’s investment program is intended to minimize risk and fund the long-term liabilities of promised benefits.

The Board’s Investment Committee focuses on investment policies and monitors the activities of the investment consultant and the investment performance of fund managers. However, all decisions regarding the investment program are made by actions taken by the Board.



Although the Board is a long-term investor, it monitors investment performance for the System and for each individual investment manager on a quarterly basis. Performance is measured against established benchmarks using quarterly, annual, three-year, and five-year performance.

The executive director is delegated full authority and responsibility by the Board for the implementation and administration of its investment programs subject to Board policies, rules, regulations, and directives. The executive director is responsible for the following duties:

1. Assist the Board in the procurement of investment managers, consultants, and custodians;
2. Authorize guidelines and contracts for each investment manager retained by the System;
3. Recommend to the Investment Committee revisions to the Investment Policy; and
4. Supervise staff in carrying out actions of the Board and Investment Committee.

Accounting Program

The TESRS accounting program is directed by a certified public accountant who serves as the chief financial officer (CFO) for the agency and the System. The CFO is responsible for:

- Financial risk management,
- Financial planning and budgeting,
- Record keeping,
- Reporting, and
- Related compliance.

The CFO supervises the activities of the securities custodian and is responsible for the monthly reconciliation of the account of each investment manager. The CFO also serves as the TESRS liaison to the Legislative Budget Board, the State Auditor's Office, and the Comptroller of Public Accounts (CPA).

The CFO is responsible for invoicing governmental entities and collecting contribution payments paid by sponsoring entities on behalf of each active member of the system. Local accounts payable staff and TESRS staff work to resolve any issues related to invoicing and payment.

The CFO reports to the Board each quarter regarding agency budgets and cash balances. At the end of each fiscal year the CFO prepares and submits the annual financial report (AFR) to the CPA for inclusion in the state's comprehensive annual financial report. The AFR is then audited by outside certified public accountants to obtain objective opinions regarding the accuracy of the system's financial statements.

Operations

The Operations functional area includes the day-to-day administration of the pension system, customer support, marketing, and information management.

TESRS staff work with participating departments, their chiefs, Local Boards, and sponsoring entities to administer a retirement system in which each member is supported and encouraged to meet eligibility requirements and receive a well-deserved retirement annuity.

When a TESRS member meets eligibility requirements to retire, TESRS staff work closely with the member and the respective Local Board to ensure accuracy and to facilitate the retirement application and approval process, which includes reviewing qualified service details, preparing documentation, and obtaining appropriate signatures in a timely manner.

For each participating department, it is required by statute that a Local Board be established. Each Local Board must include six members: one member from the governing body of the department's political subdivision, two members from the community the department serves, and three active members of the participating department.

TESRS staff provides frequent customer service to Local Board members regarding a wide array of required actions that are the responsibility of the Local Board. We meet with Local Board members and provided technical assistance and training regarding the roles and responsibilities of the Local Board. We have email, phone, and face-to-face contact with Local Board members regarding TESRS membership enrollment, required reporting, the review and certification of retirement benefits, and other duties of the Local Board.

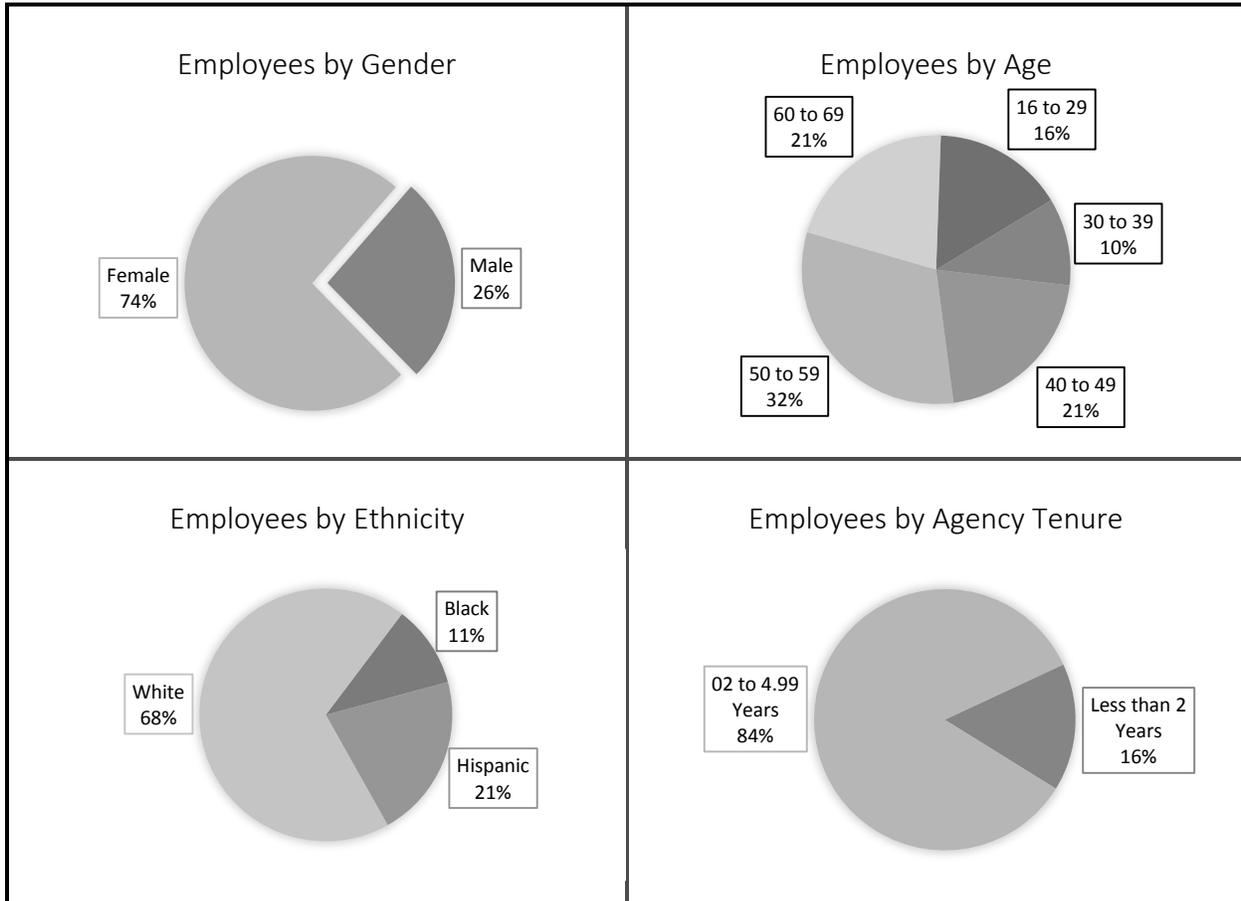
Anticipated changes to the mission, strategies, and goals during the next five years.

The Agency does not anticipate any changes to the mission, strategies, and goals of the agency during the next five years.

Phase 2: Current Workforce Profile (Supply Analysis)

Workforce Demographics

As of May 1, 2018, TESRS had 9.5 employees, including part-time and full-time staff, to carry out its mission. The following charts illustrate the demographic make-up of TESRS' workforce.



Employees by Ethnicity and Occupational Category			
Occupational Category	Black	Hispanic	White
Accounting, Auditing, and Finance		1	1
Administrative Support			0.5
Human Resources			1
Information and Communication			1
Information Technology		1	
Insurance	1		1
Property Management and Procurement			1
Total	1	2	6.5

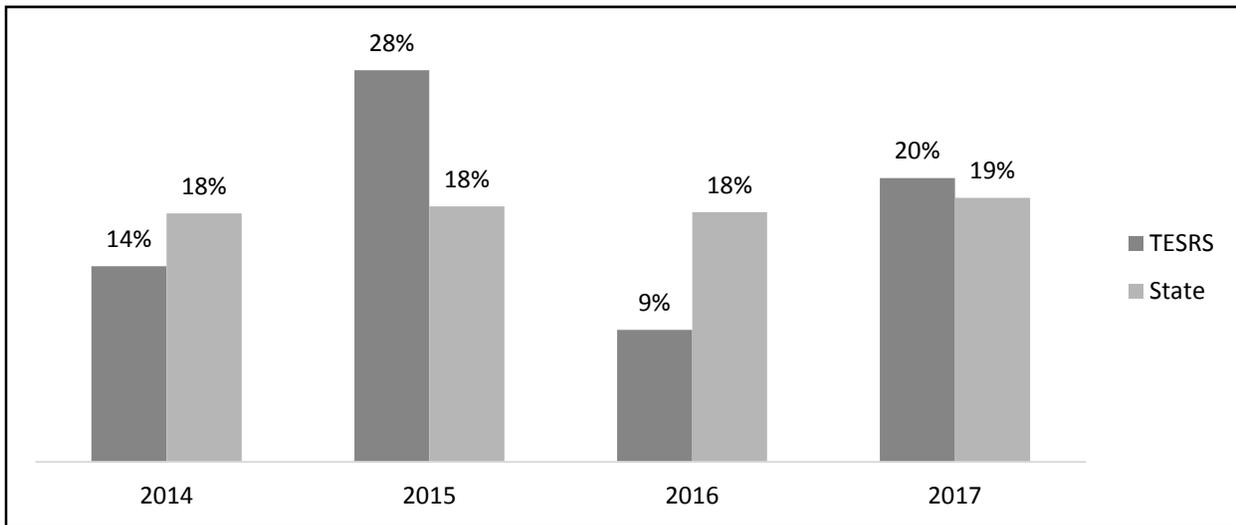
Percent of workforce eligible to retire and return to work

The agency projects that during the next four fiscal years, approximately 30% of agency's workforce will be eligible to retire, taking with them institutional knowledge and expertise. This will require that the agency to prepare for the retirement of these critical employees through succession planning, cross-training and employee development.

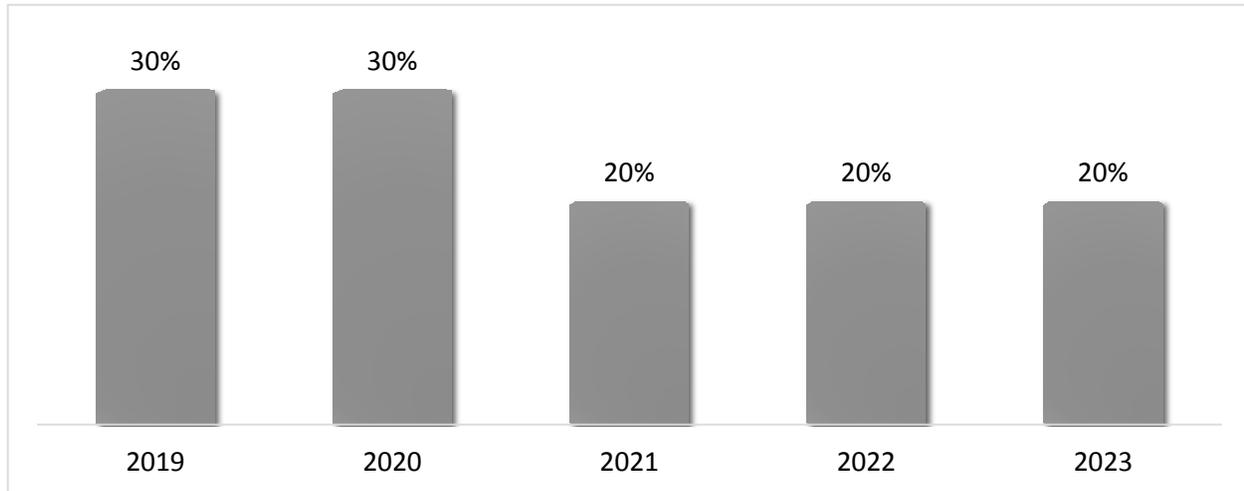
Percent of veterans employed by the agency.

The agency does not employ any veterans as of May 1, 2018.

Agency Turnover



Projected employee turnover rate during the next five years.



Future Workforce Analysis

The agency is making the following assumptions regarding the 2019-2024 planning period:

- **Growth in Retirees:** The agency anticipates that the number of retirees receiving retirement benefits will increase by over 40 percent by 2024. This will substantially change the allocation of staff time away from supporting Local Boards and active member enrollment to processing retirement applications and maintaining retirement accounts.
- **Increased Cybersecurity Complexity and Cost:** Cyber-related risk is the most challenging risk faced by the agency and will require the Board and agency to institute cybersecurity and risk governance practices to improve information security. It will also require the agency to become more realistic about its vulnerability to cyber-attack and become more resilient in the face of cyber-attacks.
- **Increased Productivity Needed:** Productivity will need to increase in order to process the growing number of retirement applications because it does not anticipate a growth in the number of employees. This will require the agency to carefully review each task and to determine its necessity in meeting the objectives of the program. It will also require the implementation of new technologies and the retraining of agency staff.
- **Team Performance Focus:** Management will continue to focus on team performance instead of individual performance. This will require each staff member to become more flexible, learn new tasks, and assume responsibility for decision-making. Management will also need to identify team goals and provide financial incentives to the team members when program goals are exceeded.

- **Increase in State Red-Tape:** The agency expects the overhead associated with being a state agency to grow due to additional reporting requirement which will reduce the time dedicated to the core mission of the agency.

Critical Workforce Skills

There are several skills that are critical to TESRS ability to serve its members and to maintain an actuarially sound pension system. Without these skills, TESRS could not provide basic benefit and retirement services. These skills are the:

- 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 develop long-term and short-term goals for the investment program;
- Risk management skills;
- Quality assurance skills;
- Ability to effectively and efficiently manage projects;
- Ability to develop and monitor complex contract plans; and
- Ability to think critically.

Future Workforce Skills Needed.

With the exception of cybersecurity, the workforce skills needed by the agency are the same skills that have been necessary for the past 20 years. The following skill sets are most needed in new hires:

- Critical thinking and problem solving;
- Interpersonal skills, and
- Ability to adapt with change.

Gap Analysis

During the 2019-2024 planning period, the agency anticipates routine turnover of 20 to 30 percent each year and the loss of three critical employees to retirement.

The real cost to TESRS related to employee turnover is not related to short-term productivity losses but to the loss of institutional knowledge about the agency, its mission, and the performance of routine tasks that are not well-documented. Reducing these costs in the future will require the agency to reduce the complexity of program while also improving the clarity of process documentation.

Succession planning has always been a problem at the agency because it does not have a “bench” of qualified employees that can move up the organization when a vacancy occurs. In the case of the retirement of key personnel, the agency does have the advantage of time to

conduct an analysis of the functions performed by each position and document key process. Generally, TESRS will plan to recruit applicants for vacant positions from outside of the agency.

Due to the planned retirement of the CFO, the agency is planning to outsource the investment accounting and financial reporting functions currently performed by the CFO. This will reduce the complexity of the job and broaden the pool of applicants for the position by enabling the agency to focus on recruiting certified public accountants with state government experience.

The agency faces significant knowledge-gaps in its ability to manage its information technologies and to deploy cyberdefense strategies.

As a result, the agency will need to outsource critical cybersecurity functions to third-party firms with the technical capacity to assist the agency in implementing cyberdefense strategies and mitigation plans. The agency will also need to upgrade the staff position currently responsible for managing the agency's information management systems to reflect the growing responsibilities associated with developing cybersecurity strategies and increase the training budget for all employees.