Office of the State Actuary

"Supporting financial security for generations."

January 22, 2019

TO: Members of the State Actuary Appointment Committee
Chair, Select Committee on Pension Policy
Vice Chair, Select Committee on Pension Policy
Director, Office of Financial Management
Director, Department of Retirement Systems

FROM: Matthew M. Smith, FCA, EA, MAAA
State Actuary

SUBJECT: **2019 REPORT ON OSA PERFORMANCE**

On behalf of the staff of the Office of the State Actuary (OSA), I'm very pleased to provide the 2019 Performance Report for OSA. This is the fourth performance report prepared by the office. We hope you find these reports helpful in your on-going oversight of the agency.

You'll find a summary of this year's report on the following page and supporting details in the attachments to this memo.

Summary Of Report

OSA promotes the security of public benefit programs including state pension and medical plans, plus the state's prepaid tuition plan (GET). As of our latest actuarial measurements, these programs have a present value of future benefits for current members totaling $125.1 billion (with a future value of $701 billion).

OSA established objective measures of critical agency functions to monitor/manage our performance and identify areas of improvement. To inform these measurements, we conduct on-going interviews with our clients. We use these interviews to document expectations, measure levels of satisfaction with those expectations, and identify any new or emerging expectations. We also conduct on-going staff surveys to measure employee satisfaction.

With the exception of our goal on spending for training, the office met all performance measurement goals. You'll find supporting information on the following pages.

We greatly appreciate your input and welcome any questions you may have on this report and process for OSA. For example, if you would like to see different measurements, goals, or outcomes for the office, please let us know. We're also happy to share additional context on the selection and development of the current measurements.

We appreciate your input, continued support, and look forward to serving you.

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Summary Of OSA Performance Measurements

Performance Measurements		
Measure	**Goal**	**Outcome**
Fiscal Notes	Complete 90 percent of actuarial fiscal notes on pension bills before a fiscal hearing when provided at least three days notice of hearing.	96 percent for 2018 Legislative Session.
Actuarial Valuation Reports (AVRs)	Publish final AVR by target publication date and meet 75 percent of target dates for publishing preliminary report sections to our website.	100 percent of dates met for 2017 AVR. 2018 AVR in progress.
	Pension Funding Council-hired auditors certify all AVRs as compliant with Actuarial Standards of Practice (ASOP).	2017 AVR certified by actuarial auditor as ASOP compliant.
Financial Management	Limit OSA Maintenance Level (ML) budget growth to no more than 10 percent each biennium (including salary growth).	6.6 percent growth in ML budget from 2015-17 to the proposed 2017-19 budget. 8.4 percent for proposed 2019-21 budget.
	Return 5 percent of agency budget at the close of each biennium.	19.3 percent of the 2015-17 budget was returned.
	State Auditor reports no findings in any financial audit of our agency.	No findings in last two audits.
Human Resources	Timely performance evaluations of all staff on an annual basis (excluding state actuary).	Timely evaluations for all staff during the 2018 completed performance cycle.
	At least 2 percent of biennial budget spent on training.	1.6 percent of 2015-17 budget spent on training.
	At least a 4.0 overall employee satisfaction score. *(1.0 = not meeting expectations)* *(2.0 = partially meeting expectations)* *(3.0 = meeting expectations)* *(4.0 = partially exceeding expectations)* *(5.0 = exceeding expectations)*	4.5 overall employee satisfaction score for 2018.
Client Satisfaction	At least a 4.0 overall client satisfaction score.	4.8 overall satisfaction score for 2018.

Attachment A – Who We Serve

We serve both the legislative and executive branches of government, boards and committees, and the public. You'll find a summary of who we serve in the following table.

Summary Of OSA Clients

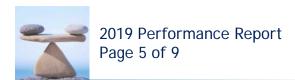| OSA Clients	
Legislative Branch	Pension Funding Council, Select Committee on Pension Policy, Legislators and Legislative Staff, Guaranteed Education Tuition (GET) Legislative Advisory Committee, and Fiscal Committees.
Executive Branch	Governor's Office, Office of the State Treasurer, Health Care Authority, Department of Retirement Systems, Office of Financial Management, and Office of the Attorney General.
Boards	Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund, State Investment Board, Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board, Public Employees' Benefits Board, GET Committee, and Institutions of Higher Education.
Public	Pension community, local governments, and citizens at large.

Attachment B – Fiscal Note Measurements

Goal

❖ Complete 90 percent of Actuarial Fiscal Notes (AFN) on pension bills before a fiscal hearing when provided at least three days notice of hearing.

Measurement Period

❖ Each legislative session (last measurement, April 2018).

Measurements/Outcomes

Actuarial Fiscal Notes	
Number of pension bills introduced (includes companions and substitutes requested)	53
Number of pension AFNs completed (submitted to OFM)	43
Number of AFNs that received fiscal hearing with at least 3-day notice	23
Number of AFNs completed before fiscal hearing when provided at least 3-day notice	22
Percent of AFNs completed before fiscal hearing when provided at least 3-day notice	**96%**

Attachment C – Actuarial Valuation Report (AVR) Measurements

Goal

❖ Publish final AVR by target publication date and meet 75 percent of target dates for publishing preliminary report sections to our website.

❖ Pension Funding Council-hired auditors certify all AVRs as compliant with Actuarial Standards of Practice (ASOP).

Measurement Period

❖ Annually for AVR publication dates (last measurement, November 7, 2018, for 2017 AVRs).

❖ Every two years for actuarial audit (last measurement, 2017 AVR).

Measurements/Outcomes

Actuarial Valuation Report		
Report Section(s)	Target Date	Date Published
Assets and Participation Data	1/15/18	1/11/18
Plan Provisions	2/28/18	2/14/18
Actuarial Methods and Assumptions	4/30/18	4/27/18
Preliminary Actuarial Information	5/15/18	5/8/18
Preliminary Results	6/30/18	6/27/18
2017 Final Actuarial Valuation Report	8/31/18	8/30/18
Client Adoption of 2017 VFF Relief and Pension Fund AVR	10/31/18	10/30/18
Client Adoption of 2018 Guaranteed Education Tuition Actuarial Valuation	11/30/18	11/7/18
Number of Target Publish Dates		**5**
On-Time Publish Dates		**5**
Percent of Target Publication Dates Met		**100%**
Compliance of AVR with ASOP (2017 AVR)		**Compliant**

Attachment D – Financial Management Measurements

Goal

- ❖ Limit OSA Maintenance Level (ML) budget growth to no more than 10 percent each biennium (including salary growth).
- ❖ Return 5 percent of agency budget at the close of each biennium.
- ❖ State Auditor reports no findings in any financial audit of our agency.

Measurement Period

- ❖ Each biennium for budget measurements following completion of budgeting period (last measurement, 2015-17).
- ❖ Each State Auditor report (last measurement, audit report for 2005-09).

Measurements/Outcomes

Financial Management*	
2017-19 Budget	$6,121,000
Proposed 2019-21 Budget	$6,633,000
Maintenance Level (ML) Budget Growth	**8.4%**
2015-17 Budget**	$5,538,000
2015-17 Budget Returned	$1,066,435
Percent of Budget Returned	**19.3%**
Findings in Audit Report (2005-09)	**No Findings**

*Includes any supplemental budget adjustments.

**Additional funding was provided to improve the Legislature's access to independent and objective health care actuarial analysis for the Medicaid and Public Employees Benefits programs.

Attachment E – Human Resources Measurements

Goal

- ❖ Timely performance evaluations of all staff on an annual basis (excluding state actuary).
- ❖ At least 2 percent of biennial budget spent on training.

Measurement Period

- ❖ Annually for performance evaluations (last measurement, 2018 cycle).
- ❖ Each biennium for training (last measurement, 2015-17 Biennium).
- ❖ Annually for employee satisfaction (last measurement, 2018 cycle).

Measurements/Outcomes

See following page for employee satisfaction measurements.

Human Resources	
Number of Staff in Evaluation Cycle (Excluding State Actuary)	13
Number of Performance Evaluations On Time	13
Percent of Timely Employee Evaluations	**100%**
2015-17 Budget Spent	$4,471,565
2015-17 Budget Spent on Training	$73,488
Percent of Budget Spent on Training	**1.6%**

Attachment F – Employee Satisfaction Measurements

Goal

❖ At least a 4.0 overall employee satisfaction score.

- 1.0 = Not meeting expectations.
- 2.0 = Partially meeting expectations.
- 3.0 = Meeting expectations.
- 4.0 = Partially exceeding expectations.
- 5.0 = Exceeding expectations.

Measurement Period

❖ Annually (last measurement, November 2018).

Measurements/Outcomes

Employee Satisfaction	
Satisfaction Criterion	**Score**
How satisfied are you with your work-life balance?	4.6
How satisfied are you with your total compensation?	4.2
How satisfied are you with the office culture?	4.8
How satisfied are you with your current work?	4.3
How satisfied are you with how we currently do our work?	4.0
How satisfied are you with the training and development you receive?	4.5
How satisfied are you with the facilities and tools provided to perform your work?	4.9
Overall Employee Satisfaction Score	**4.5**

Attachment G – Client Satisfaction Measurements

Goal

❖ At least a 4.0 overall client satisfaction score.

- 1.0 = Not meeting expectations.
- 2.0 = Partially meeting expectations.
- 3.0 = Meeting expectations.
- 4.0 = Partially exceeding expectations.
- 5.0 = Exceeding expectations.

Measurement Period

❖ Annually (last measurement, 2018 calendar year).

Measurements/Outcomes

Client Satisfaction	
Satisfaction Criterion	**Score**
How was your experience connecting with someone who could help you?	4.9
How satisfied were you with the understanding, clarifying, and confirming of your request?	4.9
How satisfied were you with any consulting you received regarding your request?	4.6
How satisfied were you with your involvement in the engagement?	4.8
How well did the agreed-upon services meet your expectations?	4.8
How well were you supported when you needed to understand, use, or communicate the work product?	4.9
Overall Client Satisfaction Score	**4.8**

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