

Arizona State
Retirement System

Strategic Plan

Priorities, Goals, and
Key Performance Indicators

For Fiscal Years
2019 to 2023



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Introduction.

The ASRS uses a strategic planning cycle that contains three organizing principles:

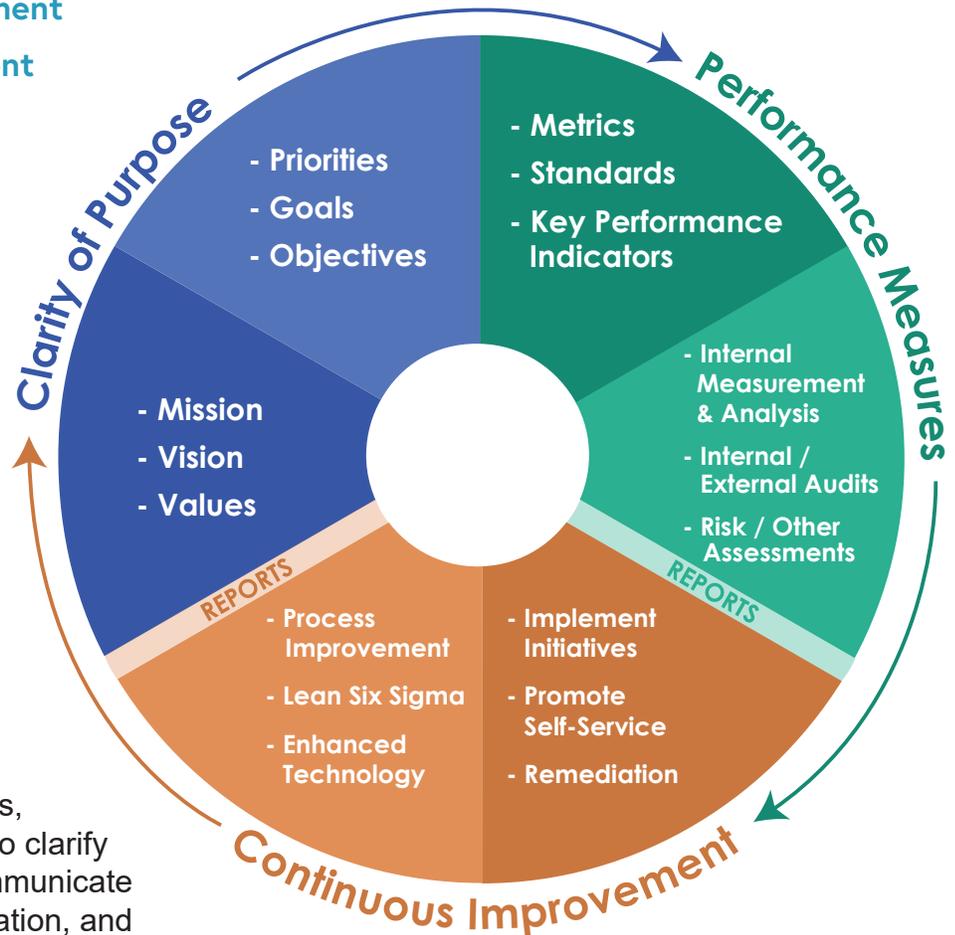
1. Clarity of Purpose
2. Performance Measurement
3. Continuous Improvement

This cycle, similar to process improvement methodologies like the DMAIC process used in six sigma, has been used at the ASRS since the late 1990's. Over two decades, this process has helped the ASRS transform itself from a manual, paper-driven enterprise into a cost-effective, technologically savvy benefit provider with high levels of customer service to members and employers.

Clarity of Purpose

The ASRS, like other organizations, uses traditional planning devices to clarify its purpose, define its culture, communicate what it strives to be as an organization, and identify its priorities and goals for the current planning cycle. At the highest level, the ASRS achieves clarity through its mission, which is outlined in statute. Our vision statement, adopted by the Board, outlines the kind of organization ASRS wants to be. Our values describe the culture we want within our organization and describe how we want employees to interact with each other and also with our various stakeholders.

Our priorities, identified by Executive Management and approved by the Board, help us clarify what the agency will be focusing on during the strategic planning period, which typically lasts five years. Priorities consist of key areas the agency wants to enhance and optimize, and also areas the agency wants to monitor and maintain during the strategic planning period. Priorities are typically identified through discussions with executive management and through the review of various performance measures and outcomes of continuous improvement initiatives.



Priorities are operationalized through the development of goals and objectives. For each of the broad functional areas of the agency, we identify what the high level goal is that we want to accomplish. Each of these goals has a series of key performance indicators, or KPI's. KPI's are designed so that if all of the KPI's are met within a goal, then the agency should be comfortable in assuming that it has achieved its goal. If a collection of goals has been achieved within a priority, then a priority has been achieved.

Performance Measurement

We've all heard the phrase "what gets measured gets managed". At the ASRS, performance is monitored using various types of measures and reports. For example, customer service measurements include turnaround times, volumes, and customer satisfaction. Cost effectiveness measurements include examining our agency's performance when compared to similar organizations. Fiscal health measurements include reviewing independent assessments of funded status, investment returns and financial statements. Operational risk measurements include examining risk or other assessments and internal or external audits. Employee engagement measurements include examining customer and employee satisfaction.

For each of these measurements, risk tolerances are identified to provide supervisors and managers with guidance on not just the standard of performance we desire to achieve, but also our level of risk tolerance for performance that falls outside of the standard. Taken together, the performance standard and risk tolerance provide the corridor of performance that management deems to be acceptable before remediation activities need to be considered.

Continuous improvement

Through performance measurement, management is able to identify opportunities to improve service, satisfy customers, be more cost-effective, or mitigate risk. To address these opportunities, new initiatives are recommended and prioritized. These initiatives could be as simple as deploying additional resources to a business function to address increased service demand, or implementing a complex, multi-year technology project to make our agency more cost-effective. Sometimes, the initiative takes the form of further analysis. For example, peer benchmarking surveys are examined each year to identify how our different services compare to peer retirement systems. This allows the agency to identify outliers for further study. A process improvement team is in place and available to examine business processes to identify opportunities to reduce redundant or unnecessary steps. Remediation plans are developed to mitigate risks that have been identified. As these improvements are implemented, performance continues to be measured, and new priorities emerge, starting the cycle once more.

In this strategic plan, the agency is migrating its strategic plan reporting to a new web-based tool. This new tool is expected to improve our ability to capture, view, store, and share performance data throughout the agency. A similar tool is being implemented for the agency's enterprise-wide risk program.

Our Mission.

Arizona's Revised Statutes § 38-712 outlines the purpose of the ASRS:

- Provide an incentive in the recruitment and retention of employees of the highest possible quality.
- Contribute toward providing a total compensation package that is generally equivalent to comparable employment in other public and private organizations in this state.
- Provide a retirement system that encourages employees to remain in service for periods of time that will provide public employers with the full benefit of the training and experience gained by the employees.
- Provide an orderly method of promoting and maintaining a high level of service to the public through an equitable separation procedure that is available to employees at retirement or on becoming a person with a disability.
- Provide a base retirement benefit that is less than one hundred per cent of a member's post-retirement income requirements, recognizing that personal savings and social security also contribute toward total post-retirement income requirements.

In general, the statutory mission refers to the following programs managed by the ASRS:

1. The Defined Benefit Plan (The Plan).
2. The System (the plan in place prior to the DB plan which is closed to new participants).
3. A Retiree Health Insurance program and premium benefit supplement.
4. The Long Term Disability (LTD) program for disabled members.
5. Optional, Supplemental Defined Contribution Plans to employers.

Our Vision.

For the benefit of our members, the Arizona State Retirement System will be a top performing benefit plan administrator with a solid reputation and sustainable plan design.

The agency will be a leader in the areas of:

- Core Member Services
- Operational Effectiveness
- Investment Performance
- Funded Status

This will be accomplished while maintaining actuarial and fiscal integrity and keeping program benefits and associated costs relatively aligned.

Our Values.

Our organizational culture will be based upon the following **PRIDE** values



Professionalism

A highly capable workforce will promote a professional and respectful environment and lead the organization.



Results

A results-oriented approach to operations will energize the organization.



Improvement

A climate of continuous quality improvement and enhanced efficiencies will drive the organization.



Diversity

Engagement of diversity by the appreciation, recognition and support for all people will propel the organization to ever greater achievement.



Excellence

A commitment to service excellence will permeate the organization.



Strategic Priorities.

The ASRS has identified six priorities for the next 5 years:

- 1. Maintain Sustainable Benefit Plans**
- 2. Achieve Investment Goals**
- 3. Enhance Risk Management Capabilities**
- 4. Optimize Operational Effectiveness**
- 5. Provide Outstanding Customer Service**
- 6. Ensure Operational Continuity**

Priority #1:

Maintain Sustainable Benefit Plans



Goal #1: Ensure the cost-effectiveness and sustainability of ASRS benefit programs.

Key Performance Indicators

- a) Employees and employers contribute the required defined benefit plan contribution and the plan is projected to achieve full funded status over the amortization period
- b) Contribution rates for the defined benefit plan are relatively stable over time and trend toward normal cost
- c) Employers indicate that the defined benefit plan contribution rate is affordable and manageable for the future benefit received
- d) Experience studies will ensure that actuarial assumptions and methods accurately portray the actuarial condition of the plan
- e) Actuarial audits will confirm the assumptions, procedures, methods and conclusions of the retained actuary are technically sound and conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board
- f) Employers contribute the required health benefit supplement contribution and the plan is projected to achieve full funded status over the amortization period
- g) Contribution rates for the health benefit supplement are relatively stable over time and trend toward normal cost
- h) Percent of total active membership on long term disability
- i) Employees and employers contribute the required long term disability program contribution and the plan is projected to achieve full funded status over the amortization period
- j) Contribution rates for the long term disability program are relatively stable over time and trend toward normal cost

Priority #1:

Maintain Sustainable Benefit Plans

 **Goal #2:** Ensure responsible governance in the administration of ASRS and its benefit programs.

Key Performance Indicators

- a) Successful completion of annual governance responsibilities as demonstrated in governance handbook
- b) Legislative initiatives introduced by or affecting the ASRS achieve the agency's desired outcome (pass or fail)
- c) Complete an assessment of risks associated with current legislation, rules, and business practices and report results, including recommended remediation strategies
- d) Few member and employer appeals are overturned at OAH or courts
- e) Percent of the agency's Key Performance Indicators (KPI) met within risk tolerance
- f) Obtain an unmodified opinion from the independent auditors on the ASRS' annual audited financial statements (CAFR)
- g) Obtain an unmodified opinion from the independent auditors on the ASRS' GASB 68 reporting schedules
- h) Obtain an unmodified opinion from the independent auditors on the ASRS' GASB 75 reporting schedules

Priority #1:

Maintain Sustainable Benefit Plans

 **Goal #3:** Communicate in a way that informs, educates and fosters trust and confidence among members, employers, and other stakeholders.

Key Performance Indicators

- a) Members respond positively when asked if “ASRS operates in my best interest”
- b) Members respond positively when asked if “My retirement is secure with the ASRS”
- c) Stakeholders respond positively when asked if “The ASRS acts ethically”
- d) Stakeholders respond positively when asked if “the ASRS acts in the states best interest”
- e) Employers respond positively when asked “How do you rate the ASRS as an organization?”

Priority #2:

Achieve Investment Goals

 **Goal #4:** Design, implement, and maintain an investment management program that maximizes rates of return for acceptable levels of risk.

Key Performance Indicators

- a) Develop, approve and implement an Asset Allocation program that is expected to achieve a 20-year rolling average annual rate of return at or above the actuarial assumed rate
- b) Total fund net return compared to peer universe
- c) 1 year total fund net rate of return compared to Strategic Asset Allocation Benchmark
- d) 3-year total fund net rate of return compared to Strategic Asset Allocation Benchmark
- e) 1 year asset class net rates of return compared to respective Asset Allocation Benchmark
- f) 3 year asset class net rates of return compared to respective Asset Allocation Benchmark

Priority #3:

Enhance Risk Management Capabilities

 **Goal #5:** Develop and maintain a robust security program that ensures appropriate data security, privacy protection, and cash controls.

Key Performance Indicators

- a) Independent assessment of the agency's overall information security program maturity level when measured against the Gartner maturity model
- b) Number of unacceptable risks identified with a score of 15 or higher in internal risk assessment that have not been addressed within 12 months
- c) Maturity level identified in annual internal information risk maturity assessment
- d) Agency's vulnerability risk score compared to other state agencies with assets (computers, servers, etc.) of 500 or more when measured by the Risk Sense tool
- e) Number and severity of security-related issues identified through static code analysis software
- f) Implement dynamic application analysis software; develop performance standards related to use of this tool
- g) Percent of Security Plan priorities, action items and milestones achieved
- h) Independent assessment of the agency's overall privacy program maturity when measured against the Gartner maturity model and within the GAPP framework every other year
- i) Percent of Privacy Plan priorities, action items, and milestones achieved
- j) Independent assessment of the agency's cash controls every three years
- k) Percent of cash control remediation plan, priorities, action items and milestones achieved

Priority #3:

Enhance Risk Management Capabilities

 **Goal #6:** An enterprise-wide risk management (ERM) program will provide reasonable assurance that the agency has identified and is managing and mitigating risks most likely to impede the agency's ability to meet its mission, vision, goals and objectives.

Key Performance Indicators

- a) Provide Executive Management Team (EMT) with an overview of agency ERM practices, priorities, risk appetites, incidents where risks fell outside of accepted risk levels, and corresponding mitigation actions
- b) Follow up on emergency response plan tests, report progress on identified plans of action
- c) Review the agency's emergency response plan (including incident response plans, procedures and events) and ensure DEMA requirements are satisfied
- d) An internal audit plan is formulated based on agency risks, goals, objectives, standards and metrics
- e) Percentage of scheduled internal audit and consulting plan completed

Priority #4:

Optimize Operational Effectiveness

 **Goal #7:** Manage budgets and implement strategies designed to improve operational effectiveness and/or make the ASRS more cost effective.

Key Performance Indicators

- a) Total annual administrative expense variance (including special line item expenditures for service/security enhancements and anticipated cost reductions)
- b) Percent reduction in base administrative expenses from July 1, 2017 to June 30, 2020 (excluding special line item expenditures)
- c) Pension operations service score compared to peers as measured by CEM benchmarking
- d) Pension operations cost per member and annuitant compared to peers as measured by CEM benchmarking
- e) Relative service versus relative cost score measured in CEM pension administration benchmarking study
- f) Percent of Lean report priorities, action items and milestones achieved
- g) Percent of technology plan priorities, action items and milestones achieved

Priority #4:

Optimize Operational Effectiveness

 **Goal #8:** Provide members and business users with technology that is high-performing, and able to support evolving business needs.

Key Performance Indicators

- a) Core applications and components are kept up to date
- b) Number of core applications that had an unplanned downtime of 0.5% or more during business hours
- c) Percent of overall user satisfaction with core business applications (PERIS, POL, PWEB, imaging)
- d) Percent of overall user satisfaction with non-core business applications (MUNIS, office suite, IQ, COTS products)
- e) Determine and implement industry best practices, including staff size and structure, costs and reporting for development teams in organizations of similar size and complexity
- f) Research and implement productivity measures for system development, including improved ROI analysis
- g) Take steps to plan for a reduction in system development teams from 8 to 6 by July 2021, ensuring security and business needs continue to be met

Priority #5:

Provide Outstanding Customer Service

 **Goal #9:** Members and employers will receive timely and accurate service that results in high levels of customer satisfaction.

Key Performance Indicators

- a) Percent of member calls answered within 20 seconds
- b) Percent of member secure messages answered within business day
- c) Percent of overall satisfaction with member calls
- d) Percent of overall satisfaction with member secure messaging
- e) Percent of counseled members who are satisfied overall
- f) Percent of employer secure messages answered within 2 business days
- g) Percent of overall satisfaction with employer secure messaging
- h) Percent of employers responding positively (response 4-5) that ASRS contributes to a total compensation package that helps their organization attract new employees
- i) Percent of employers responding positively (response 4-5) that ASRS contributes to a total compensation package that helps their organization retain employees
- j) Number of employers engaged by ASRS to discuss potential risk events identified through data review and analysis
- k) Number of employers engaged by ASRS that require a remediation plan due to non-compliance
- l) Percent of employer remediation plans successfully executed within 12 months of notification
- m) Percent of employers that repeat non-compliance after remediation efforts

Priority #5:

Provide Outstanding Customer Service

 **Goal #10:** Member disbursements will be distributed timely, accurately, and cost-effectively, resulting in high levels of member satisfaction.

Key Performance Indicators

- a) Percent of new retiree applicants that receive their first payment within 10 business days of their retirement date
- b) Percent of members satisfied with the new retiree process
- c) Percent of pension payments disbursed to annuitants on or before the first business day of each month
- d) Percent of forfeiture benefits paid within 5 business days of receipt of request and any additional required documents and information
- e) Percent of members satisfied with the forfeiture process
- f) Percent of survivor benefit annuity calculations finalized within in the first month possible following receipt of all documentation and information
- g) Percent of lump sum payments disbursed to beneficiaries within 10 business days of receipt of required documentation and information
- h) Percent of beneficiaries satisfied with the survivor benefit process

Priority #5:

Provide Outstanding Customer Service

 **Goal #11:** Contributions and data received from members and employers will be processed and managed efficiently and effectively.

Key Performance Indicators

- a) Percent of members that receive a service purchase cost invoice within 5 business days
- b) Percent of members satisfied with the service purchase process
- c) Percent of employers satisfied with the contribution process
- d) Percent of active member accounts that have a complete demographic profile containing a valid Social Security Number, name, birth date, and address
- e) Percent of inactive members that have a valid birth date and address

Priority #5:

Provide Outstanding Customer Service



Goal #12: For the sole benefit of all eligible members, the ASRS will offer health insurance plans which have the following characteristics:

1. Cost Competitive, with respect to each marketplace
2. Accessible, with respect to provider networks
3. Efficient, with respect to enrollment and in-plan navigation
4. Strong Customer Service, from vendors and ASRS staff

Key Performance Indicators

- a) Report to EMT on cost competitiveness of the health insurance plans compared with like plans and/or marketplaces including opportunities for improvements, recommendations, action items and milestones
- b) Percent of members that are satisfied with the cost of health insurance plans for the benefits received
- c) Percent of eligible members participating in an ASRS health insurance plan
- d) Percent of health insurance performance guarantees that are met and enforced
- e) Percent of members that are satisfied with the cost of dental insurance plans for the benefits received
- f) Percent of eligible members participating in an ASRS dental insurance plan

Priority #5:

Provide Outstanding Customer Service



Goal #13: The ASRS will administer a Long Term Disability plan that is competitive, efficient and satisfies members.

Key Performance Indicators

- a) Percent change in administrative expenses per disabled member
- b) Percent of long term disability performance guarantees that are met and enforced
- c) Percent of members that are satisfied with the LTD approval process based on the quarterly survey conducted by vendor
- d) Percent of members that are satisfied with the LTD maintenance process based on the quarterly survey conducted by vendor

Priority #6: Ensure Operational Continuity

 **Goal #14:** Recruit, retain and develop a high-performing and engaged workforce that is capable of achieving agency goals and implement workforce plans that prepare future leaders and ensure continuity in key positions.

Key Performance Indicators

- a) Total annualized rolling turnover rate compared to the State of AZ and BLS turnover rates
- b) Percent of voluntary separations with a tenure of five or more years (excludes separation due to retirement)
- c) Percent of employees receiving salaries within ten percent of identified target compensation
- d) Ratio of engaged to disengaged employees as measured in ADOA engagement survey
- e) Percent of key positions in workforce plan with at least 2 candidates identified

Arizona State Retirement System

3300 N Central Avenue, Phoenix AZ 85012

