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South Carolina Retirement Systems

Accountability Report FY 2004

A Division of the South Carolina Budget and Control Board

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South Carolina Retirement Systems
FY 2004 Accountability Report

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Executive Summary

The South Carolina Retirement Systems administers five retirement plans for South Carolina's public workforce by utilizing human and technological resources, both of which are reallocated throughout the year based on customer requirements. Some of the significant accomplishments for the Retirement Systems in FY 2004 include:

- An increase in customer satisfaction with a sustained higher workload for the fifth consecutive year (see Page 14).
- An administrative cost per member well below that of our peer pension plans (see Page 13).
- Major application development on Web-based centralized claim and payment management systems. These systems will provide integration and faster, more efficient processing of claims and payments.
- Expanded utilization of document imaging and storage system to include an alpha listing of miscellaneous non-member documents, a director's file for legislative and other correspondence, a State Optional Retirement Program (State ORP) folder, a legal folder, and a field note folder.
- Continued development of Electronic Employer Services (EES) to include online employer reporting for small- to medium-sized agencies. Implementation of this application will help reduce the number of employers who report on paper.
- Major application development was done for the incorporation of the State ORP into the existing South Carolina Retirement System (SCRS) application base. Our computer systems are being modified by in-house staff to allow us to track detailed information, such as quarterly wages, employer code, and months paid for each State ORP participant. This information will then be used to allow us to provide improved customer service to State ORP members.
- Inter-departmental efforts (Information Technology, Financial Services, and Service) to implement the transitioning of State ORP accounts to SCRS. Collaboration between Financial Service and Service departments continues to ensure that State ORP participants who switch to SCRS are being monitored for service purchase requests and payments.
- Expanded the level of understanding, skill development, and experience of in-house staff on Web-based architecture using Java.
- Began initial advancements in using XML technology for future development.
- Upgraded outdated system servers with newer servers.
- Continued uninterrupted delivery of service to both internal and external customers despite the loss of several experienced team members in Service, Customer Services, and Financial Services. This continuity is the result of ongoing departmental cross-training programs and succession planning.
- Document imaging system utilized to scan and index 88,000 historical check items which were formatted to CD-Rom for storage and mobile availability.
- Other historical financial records were imaged and stored, which eliminated the need for a paper file room and made this space available for other use.

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Business Overview

The staff of the South Carolina Retirement Systems consists of 184 permanent employees.

The Retirement Systems is located at 202 Arbor Lake Drive, Columbia, South Carolina, and is responsible for the administration of five separate systems:

- The South Carolina Retirement System (SCRS), which provides benefits to teachers and employees of the state and its political subdivisions;
- The Police Officers Retirement System (PORS), which provides benefits to police officers and firefighters;
- The General Assembly Retirement System (GARS);
- The Judges and Solicitors Retirement System (JSRS); and
- The South Carolina State Optional Retirement Program (State ORP), which provides eligible new members with the option to join a defined contribution plan instead of the SCRS defined benefit plan.

Each of the systems has enabling legislation and administrative policy that guides its implementation and management.

The annual administrative cost per active and retired member is \$44.00 (see Page 13). Budget information is included in the State Budget and Control Board's accountability report.

The Retirement Systems' trust funds hold in excess of \$23.8 billion in net assets and pay in excess of \$1.2 billion in refunds and recurring benefits each year to approximately 104,000 recipients. The key customers of the Retirement Systems are the 361,304 active and inactive members, and the 98,778 annuitants to whom services are provided.

Key suppliers to the organization are the participating employers, the members of the five retirement plans, other Board offices, the Office of the State Treasurer, the State Retirement Systems Investment Panel, and the Office of the Comptroller General.

The Retirement Systems is customer centric. Thus, the primary focus of the organization is the administration of a comprehensive program of benefits responsive to the needs of public employees and the performance of fiduciary duties as stewards of the contributions and disbursements of the pension trust funds.

See organizational chart on Page 3.

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Organizational Chart



Base budget expenditures and appropriations, other expenditures, and interim budget reductions are reported on Page 9 of the Board's *Annual Accountability Report 2003-2004* (<http://www.bcb.sc.gov/BCB/docs/BCB2003-04AccountabilityReport.pdf>).

Major program areas are reported on Page 10 of the Board's *Annual Accountability Report 2003-2004* (<http://www.bcb.sc.gov/BCB/docs/BCB2003-04AccountabilityReport.pdf>).

Strategic planning goals and objectives, as well as key division action plans/initiatives are reported on Page 12 of the Board's *Annual Accountability Report 2003-2004* (<http://www.bcb.sc.gov/BCB/docs/BCB2003-04AccountabilityReport.pdf>).

1.0 Leadership

1. How do senior leaders set, deploy and ensure two-way communication for: a) short and long term direction; b) performance expectations; c) organizational values; d) empowerment and innovation; e) organizational and employee learning; and f) ethical behavior?

1.1.a.-f. Senior leaders set and deploy short and long term direction through regular and ad-hoc conversation, discussion and meetings. Customer requirements are the core consideration when setting the Retirement Systems' direction and all of the division's employees have ample opportunity to participate in the continual development and realignment of the division's direction. Senior leaders ensure two-way communication through day-to-day contact with employees, informational e-mails, periodic meetings with managers, and section meetings with all departmental staff.

Performance expectations are determined by senior leaders during the goal-setting process and are communicated and reinforced through regularly scheduled and ad hoc staff meetings, operational reporting, and work process measurement. The Retirement Systems utilizes both the planning and evaluation stages of the Employee Performance Management System (EPMS) to communicate performance expectations to employees annually. Performance expectations are conveyed to employees throughout the year through regularly scheduled departmental meetings and informal discussion.

Senior leaders communicate the division's organizational values, which are grounded in the mission statements and strategic plans of the Board and the division through daily face-to-face interaction with staff, phone calls, and e-mail.

The team-focused structure of the Retirement Systems provides senior leaders with ample opportunity to empower employees and encourage innovation. Senior leaders ensure that all staff has all the tools necessary to perform all job duties with efficiency and accuracy. And while monetary rewards for innovation are not an option, senior leaders support and recognize innovation. Appreciation is shown as well by coworkers whose jobs have been facilitated by a suggestion that has been implemented.

While employees are responsible for taking advantage of professional development opportunities, senior leaders ensure the continued availability of such options. The Retirement Systems has a long-standing and well known commitment to the personal and professional development of its staff. Each year, employees may develop their own training and development plan, which is then reviewed by and discussed with their supervisor. Learning opportunities range from in-house process-related training almost daily to outside opportunities presented annually for scheduling throughout the coming fiscal year. At the least, all employees receive Malcolm Baldrige and customer service training.

Senior leaders communicate ethical behavior through their personal actions and general discussion of cases and policy decisions. All employees are made aware of the division's

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intolerance of unethical behavior through the use of ethics and use policies that must be read and signed by all staff.

2. How do senior leaders establish and promote a focus on customers and other stakeholders?

1.2 The Retirement Systems' senior leaders maintain the division's deep-rooted customer focus by periodic evaluation of the division's responses to customer needs and reinforcement of the division's mission throughout the year. Upon hire, new employees are made aware of the Retirement Systems' tradition of excellence in customer service and are informed of senior leaders' expectations.

3. How do senior leaders maintain fiscal, legal, and regulatory accountability?

1.3 Senior leaders employ a variety of tools to ensure fiscal accountability. Automated systems are designed with internal control edits to ensure accuracy of information. Changes to automated systems are made only after thorough testing and are closely monitored during the initial stages of implementation. Monthly, daily, and yearly balancing and reconciliation with external and internal data sources validates the division's data. Business functions are audited to ensure compliance with federal and state regulations. Annual audits of financial records by an external, independent auditor further ensure accountability. The Retirement Systems is a statutory based organization and legal accountability is maintained by operating within the parameters of the statutes governing the Retirement Systems.

4. What key performance measures are regularly reviewed by your senior leaders?

1.4 Operational key performance measures reviewed regularly by senior leaders include detailed measures within the broad categories of: compliance with all statutory and regulatory guidelines; adherence to governmental accounting standards; accurate and prompt processing of all inquiries, requests, claims and payments; accurate and secure maintenance and retention of member and employer records; and the availability, reliability, and relevance of all technical applications.

5. How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization?

1.5 Senior leaders periodically assess their leadership effectiveness and modify style, approach, and/or behavior to accommodate findings and feedback. Changes are disseminated to all employees either through direct communication or behavior.

6. How does the organization address the current and potential impact on the public of its products, programs, services, facilities and operations, including associated risks?

1.6 The Retirement Systems addresses the current and potential impact of its programs and services to the public proactively. Senior leaders' continuous review of programs and services results in early identification of potential risks. Any current and/or potential impact is communicated as clearly and as soon as possible.

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7. How does senior leadership set and communicate key organizational priorities for improvement?

1.7 Through regular discussion and meetings, and frequent interaction with employees, senior leaders review performance and set key organizational priorities accordingly. Areas for improvement are duly noted, a plan of action is developed and approved, and the necessary changes are implemented. Communication with key personnel is maintained throughout the process and is expanded to include other appropriate staff as implementation progresses.

8. How does senior leadership actively support and strengthen the community? Include how you identify and determine areas of emphasis.

1.8 Involvement in the community is both encouraged and supported by senior leadership. Accommodation of flexible work schedules allows employees to participate in community organizations of their choice. Other community efforts, such as participation in the Richland County School District One's Lunch Buddies program, are coordinated by the Retirement Systems. Senior leaders identify and determine areas of emphasis by how an organization relates to the division's mission and through individual employees.

2.0 Strategic Planning

1. What is your strategic planning process, including key participants, and how does it account for: a) customer needs and expectations; b) financial, societal, and other potential risks; c) human resource capabilities and needs; d) operational capabilities and needs; e) supplier/contractor/partner capabilities and needs?

2.1.a.-e. The Retirement Systems' strategic planning process, which involves the Board's Office of the Executive Director and the division's senior leaders, is based primarily on three Board-established key objectives: customer and stakeholder satisfaction, employee well being, and return on investment (administrative cost per member). In FY 2004, the Retirement Systems' key strategy also included efforts to protect the privacy of members and ensure the security of the member and employer data with which it is entrusted in response to growing concerns about identify theft.

Customer requirements direct the focus of the division's strategic plans. Any potential risks are carefully considered and recommendations are made for either statutory or regulatory reform if needed. Service demand drives strategic planning for human resources, with expansion of cross training within departments as required to accommodate peak periods. Operational needs are planned to ensure that information systems will be available and responsive to internal and external customer and supplier/contractor/partner requirements.

2. What are your key strategic objectives? (Address in Strategic Planning Chart)

2.2 Key strategic objectives for the Retirement Systems are customer satisfaction, employee well being, return on investment (administrative cost per member), protection of privacy and security of data as reported on Page 12 of the Board's *Annual Accountability Report 2003-2004* (<http://www.bcb.sc.gov/BCB/docs/BCB2003-04AccountabilityReport.pdf>).

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3. How do you develop and track action plans that address your key strategic objectives? Note: Include how you allocate resources to ensure accomplishment of your action plans.

2.3 The Retirement Systems' senior leaders develop action plans through the strategic planning process. These action plans are tracked through weekly senior leadership meetings, departmental meetings, and informal discussion. Since the Retirement Systems is a service organization, strategic planning, action plans and, resources are allocated based on customer requirements. Information systems requests are reprioritized as necessary and staff is cross trained as needed to accomplish action plans.

4. What are your key action plans/initiatives? (Address in Strategic Planning Chart)

2.4 The division's action plans/initiatives are reported on Page 12 of the Board's *Annual Accountability Report 2003-2004* (<http://www.bcb.sc.gov/BCB/docs/BCB2003-04AccountabilityReport.pdf>).

5. How do you communicate and deploy your strategic objectives, action plans, and performance measures?

2.5 The Retirement Systems' strategic objectives are communicated to all employees through discussion, meetings, a monthly employee newsletter, e-mail messaging, and the EPMS. Deployment of strategic objectives is accomplished through the combined efforts of human and technological resources. Action plans and performance measures are handled in the same manner.

3.0 Customer Focus

1. How do you determine who your customers are and what are their key requirements?

3.1 The Retirement Systems' customers, both members and covered employers, are established in statute. Key requirements for our member customers depend upon their status – whether they are active, inactive, or retired. Employer key requirements are fundamentally tied to financial reporting and member information.

2. How do you keep your listening and learning methods current with changing customer and business needs?

3.2 For the past few fiscal years, the Retirement Systems has conducted annual customer satisfaction surveys of covered employers and a random sample of members who retired within the previous 12-month period. Covered employers also receive an annual training survey that provides detailed information in addition to a customer satisfaction rating. While these formal surveys are useful and provide us with trend data, ad hoc conversations with members and employers are important in determining changing customer and business needs. In FY 2005, the Retirement Systems plans to expand its methods of capturing customer needs. Business needs are a direct result of customer needs.

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3. How do you use information from customers/stakeholders to keep services or programs relevant and provide for continuous improvement?

3.3 Each year, the Retirement Systems analyzes the results of the formal customer satisfaction and training surveys. The results are also used to gauge the effectiveness of services. Individual survey responses are shared with appropriate departmental staff for attention in addition to senior leaders. Customer and stakeholder feedback is also received through daily contact, field visits, and other ad hoc conversation. When possible, both manual and automated processes are modified in response to customer feedback, all with the goal of improving service delivery.

4. How do you measure customer/stakeholder satisfaction?

3.4 The Retirement Systems measures customer/stakeholder satisfaction annually through formal surveys and throughout the year through ad hoc discussion and communication.

5. How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer groups.

3.5 Being a customer-focused organization, the Retirement Systems employs multiple methods of relationship building. Positive relationships with customers and stakeholders evolve from individual employee/customer contact, formal participation by senior leaders in legislative meetings, and all other communication with customers and stakeholders. The distinctions between the Retirement Systems' customer groups are in classification only.

4.0 Information and Analysis

1. How do you decide which operations, processes, and systems to measure for tracking financial and operational performance?

4.1 The Retirement Systems measures operations, processes, and systems identified through strategic planning and customer requirements. These include functions essential to the division's day-to-day operations and those functions on which our customers rely.

2. What are your key measures?

4.2 The Retirement Systems' key measures are customer satisfaction, employee well being, return on investment (administrative cost per member), protection of privacy, and security of data.

3. How do you ensure data integrity, timeliness, accuracy, security and availability for decision-making?

4.3 Information systems have built-in safeguards and controls to ensure that data is not compromised. An internal auditor routinely conducts random audits to further ensure data integrity and accuracy. The Board's Division of Internal Audit and Performance Review also audits data. Additionally, the Retirement Systems' financial accounting records are audited annually by an independent, external auditor. Systems safeguards also ensure data availability and timeliness.

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4. How do you use data/information analysis to provide effective support for decision-making?

4.4 The Retirement Systems uses volume measures to support decisions about the allocation of human and other resources to accommodate service demand. Cycle time performance data is used to assess the timeliness of service delivery. The division also analyzes trend, financial impact, quality assurance, customer satisfaction, and benchmarking data to support decision-making. The feasibility of change is also considered.

5. How do you select and use comparative data and information?

4.5 The division has contracted with Cost Effectiveness Measurement, Inc., to benchmark the Retirement Systems' performance against that of its peer public pension plans. The FY 2003 study, the latest available, compared the division's performance to the performance of 52 other plans. Volume and trend data is used to gauge fluctuations in workloads and peak service demand periods so that resources can be allocated accordingly. Evaluation of the annual and actuarial reports of other state pension plans is conducted as well.

6. How do you manage organizational knowledge to accomplish the collection and transfer and maintenance of accumulated employee knowledge, and identification and sharing of best practices?

4.6 The Retirement Systems employs succession planning to ensure that accumulated employee knowledge is not lost when a long-time employee terminates employment. Formal cross training, and informal mentoring and shadowing are also used to collect and transfer accumulated employee knowledge. Best practices are identified and shared through performance measurement and benchmarking against peer public pension plans.

5.0 Human Resource Focus

1. How do you and your managers/supervisors encourage and motivate employees (formally and/or informally) to develop and utilize their full potential?

5.1 Senior leaders sponsor a holiday brunch each December to show appreciation for a job well done. In FY 2004, employees participated in a chili cook-off contest, a hot-dog picnic, and a pizza party. Service awards are presented at these quarterly gatherings. Individual employee achievements, both professional and personal, are publicized in the monthly employee newsletter, *For Our Benefit*.

2. How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation, and safety training?

5.2 Strategic and succession planning, as well as customer requirements, drive the division's key developmental and training needs. The Retirement Systems has a Training Advisory Committee that meets periodically to further analyze needs as identified by senior leaders and employee suggestions. Each fiscal year, employees may complete a Personal Career Development Plan. Likewise, a training calendar is updated each year from which employees may select courses for the coming year. Senior leaders select employees for management and leadership development and enroll this staff in the Certified Public Manager and other programs offered by the Board's

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Office of Human Resources (OHR). New employee orientation is handled through OHR as well. Safety training occurs on-site and through Board-sponsored classes.

3. How does your employee performance management system, including feedback to and from employees, support high performance?

5.3 The planning and evaluation stages of the EPMS provide two-way communication opportunities for supervisors and employees. In addition to any written comments in an EPMS, face-to-face discussion and review of the EPMS planning and evaluation stages allow employees a regularly scheduled opportunity to find out what is expected of them and allow supervisors to inform staff of these expectations.

4. What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation?

5.4 The Retirement Systems informally measured employee well being and satisfaction through day-to-day conversation and departmental meetings. Employee motivation was more formally assessed through the division's annual employee training and development planning process.

5. How do you maintain a safe, secure and healthy work environment? (Include your workplace preparedness for emergencies and disasters)

5.5 Workplace safety, security, and healthfulness are ensured through regular observation, inspection, maintenance, and repair of the physical plant. Emergency and disaster preparedness plans are updated as necessary and drills are carried out annually to ensure that all employees know what to do and where to go in the event of an emergency or disaster. In FY 2004, eight employees were recertified in cardiopulmonary resuscitation (CPR).

6. What activities are employees involved with that make a positive contribution to the community?

5.6 Efforts coordinated through the Retirement Systems include employee participation in Richland County School District One's Lunch Buddies program, the First Ladies' Walk for Life, American Red Cross blood drives, American Red Cross CPR recertification, and United Way of the Midlands and Community Health Charities fund-raising campaigns. The Retirement Systems supported individual employee involvement in the South Carolina Guardian Ad Litem program, participation in the Leukemia and Lymphoma Society's Team in Training program, service as pro bono legal representation, and volunteer staffing of the South Carolina Emergency Preparedness Division as requested.

6.0 Process Management

1. What are your key processes that produce, create or add value for your customers and your organization, and how do they contribute to success?

6.1 Two value-added key processes are the incorporation of customer requirements into new technology and the cross-training of staff. The services provided to customers by the Retirement Systems are technologically driven. By furthering technological means, the Retirement Systems

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can improve service delivery. Likewise, by cross-training staff, the Retirement Systems ensures that human resources are available when and where needed without an increase in staffing. Other key processes that add value for our customers are: 1) Instantaneous access to member information through document imaging and Unix systems; 2) Customer participation in electronic banking processes such as electronic fund transfer (EFT); 3) Employers' ability to submit reporting data electronically; 4) Web-based technology that allows the division to make brochures, handbooks, forms, and other current news and information readily available to customers; 5) Continual updates to automated systems as a result of legislative changes, process improvements, and customer feedback. When information systems modifications are made, input is requested from all impacted departments to ensure that internal customer needs are met as well.

2. How do you incorporate organizational knowledge, new technology, changing customer and mission-related requirements, cost controls, and other efficiency and effectiveness factors into process and design delivery?

6.2 The Retirement Systems incorporates organizational knowledge into process and design delivery through ad hoc conversation, discussion, and regularly scheduled meetings. To ensure that organizational knowledge is constant and continuous, the division practices succession planning. New technology is incorporated into process and design delivery as a result of customer requirements. As customer and mission-related requirements change, senior leaders reassess business requirements and make necessary modifications to the Retirement Systems' processes. The Retirement Systems is able to control costs associated with process and design delivery through in-house systems programming. Key performance measures and formal surveys are used to identify shifting customer and/or business requirements.

3. How does your day-to-day operation of these processes ensure meeting key performance criteria?

6.3 By closely monitoring and assessing operations on a daily basis, the Retirement Systems can identify substandard performance and take immediate corrective action to ensure that key performance criteria are met. Problems requiring a longer-term solution are identified sooner and can be dealt with more quickly so that performance is affected for as short a period of time as possible.

4. What are your key support processes and how do you improve and update these processes to achieve better performance?

6.4 The division's key support processes include: automated information systems; financial and accounting management; facilities management; and intergovernmental relations. The Retirement Systems regularly reviews and analyzes the effectiveness of each key support process. Areas for improvement are identified and updated and/or modified to better accommodate both internal and external customer requirements and service delivery.

5. How do you manage and support your key supplier/contractor/partner interactions and processes to improve performance?

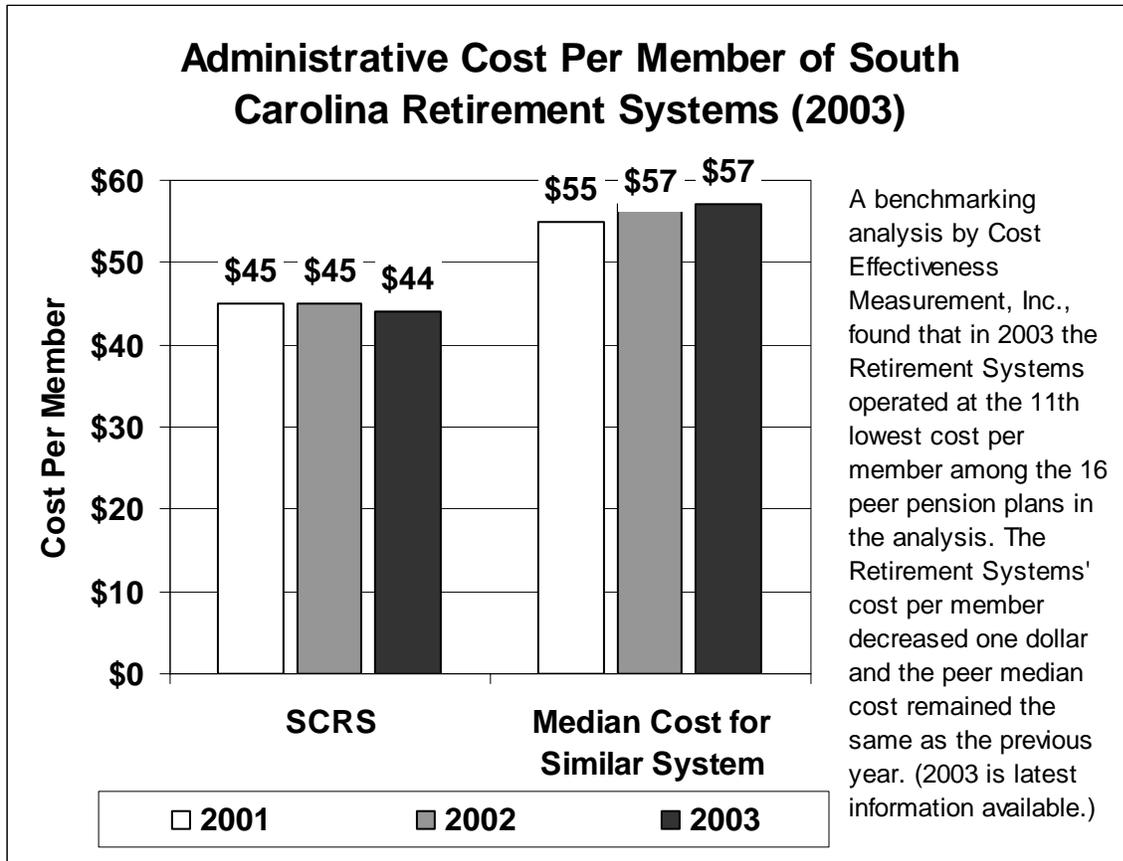
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6.5 The Retirement Systems manages and supports key supplier/contractor/partner interactions and processes through the provision of automated information systems; financial and accounting management; facilities management; and intergovernmental relations. Authorized staff of covered employers are trained on the usage of the Retirement Systems' automated information system for employers and must sign confidentiality agreements prior to gaining access. Vendors for the recordkeeping and administration of the South Carolina Deferred Compensation Program, for actuary services, for investment consulting services, and for the State Optional Retirement Program are subjected to rigorous scrutiny through the request for proposals (RFP) process, contracts, and due diligence.

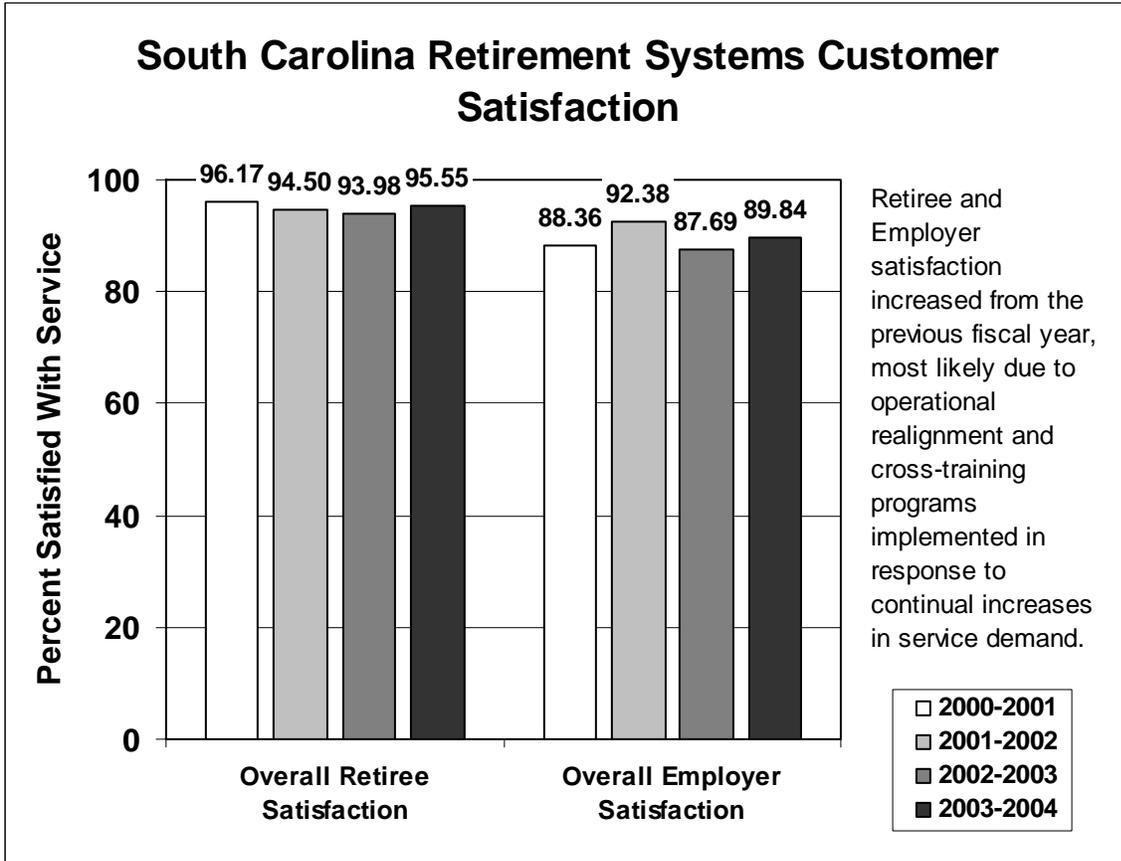
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7.0 Business Results

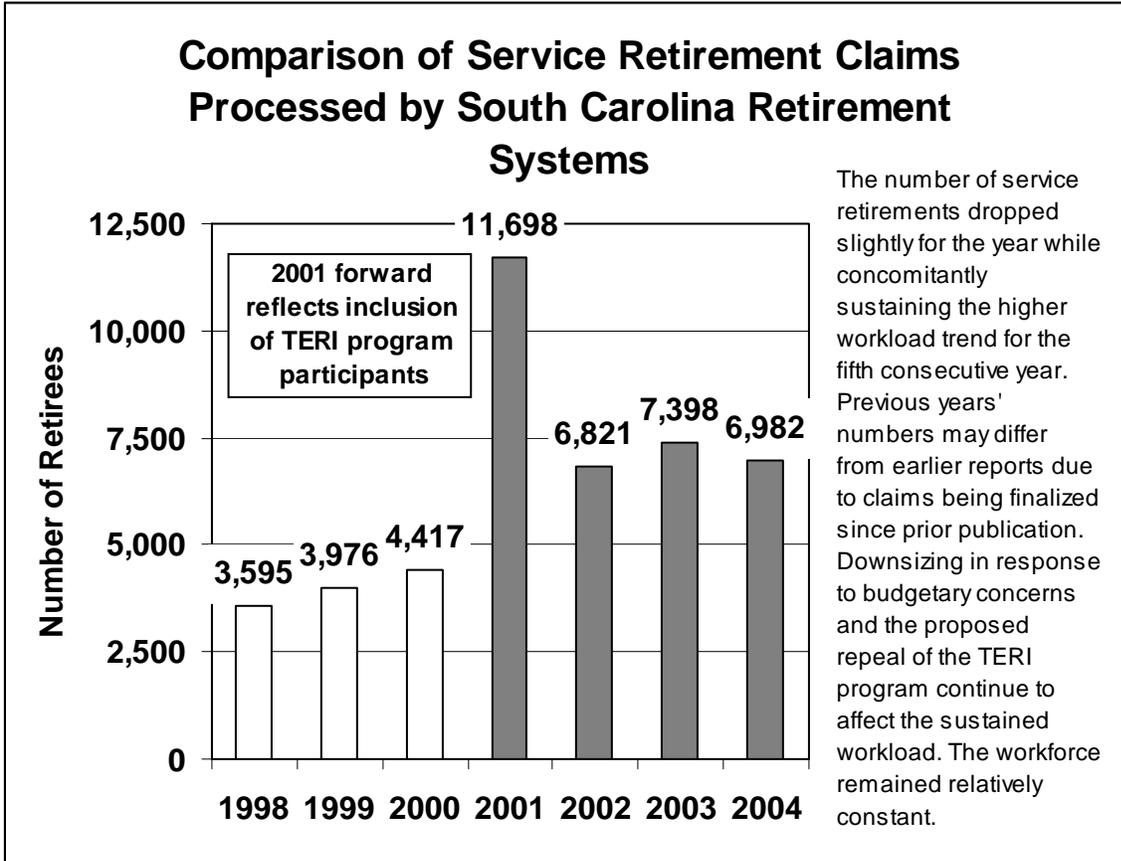
The Retirement Systems continued and improved upon its best practices by maintaining high customer satisfaction ratings while responding to sustained increase in customer demand. The division notably does more, better, and with less. It is a credo by which the Retirement Systems operates and which serves our customers and the citizens of South Carolina well. Our business results are presented herein in the form of charts depicting our key performance measures.



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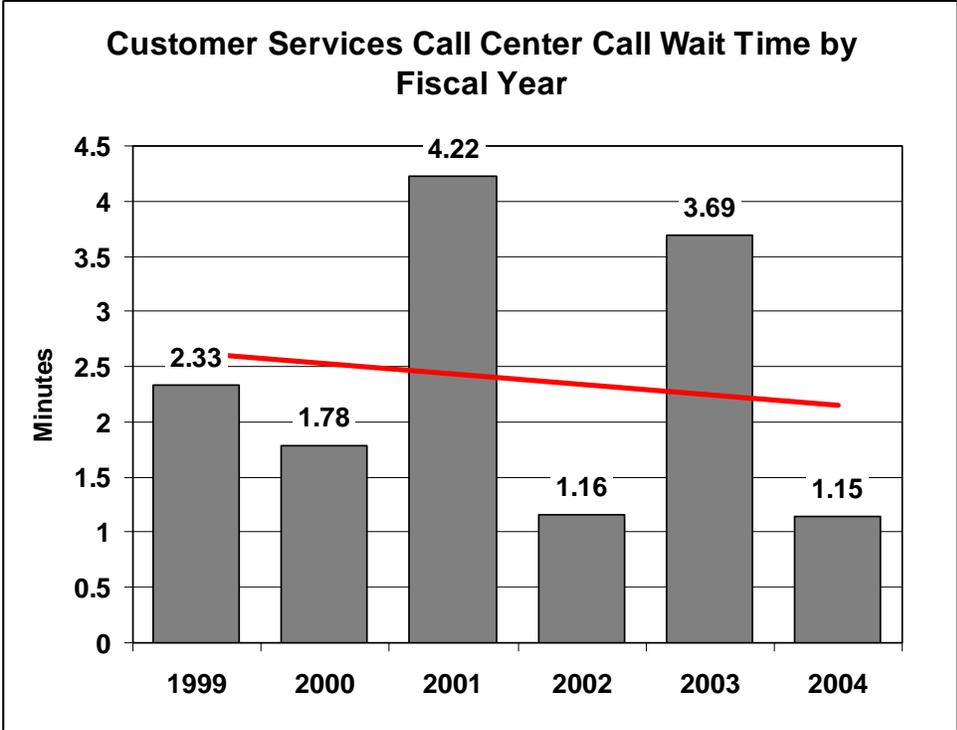
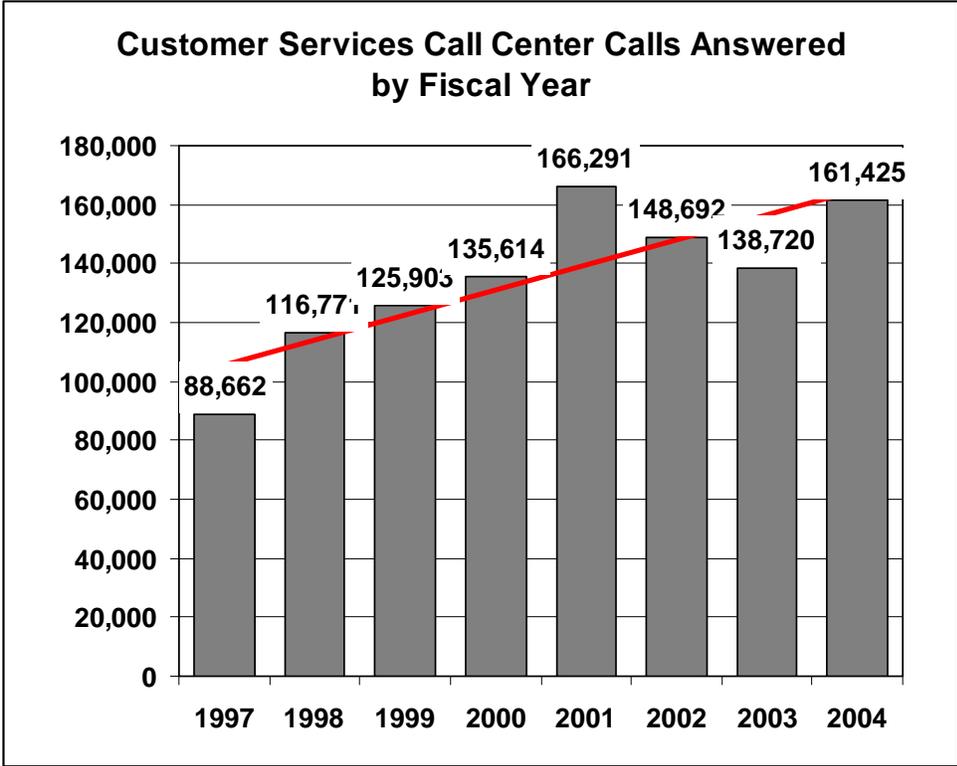


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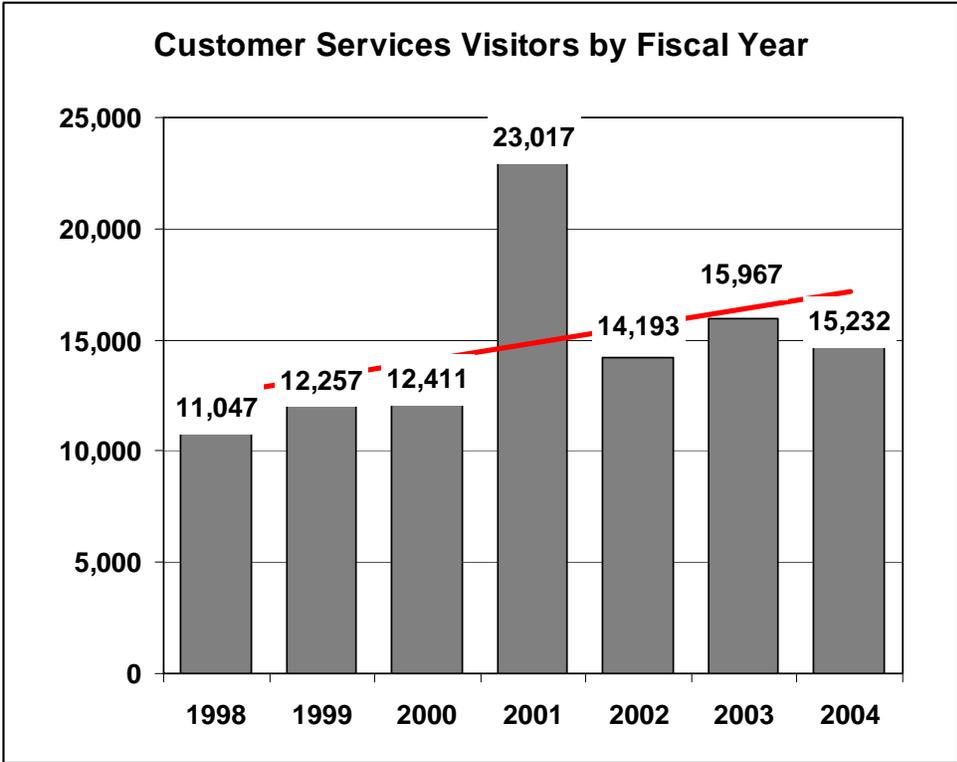
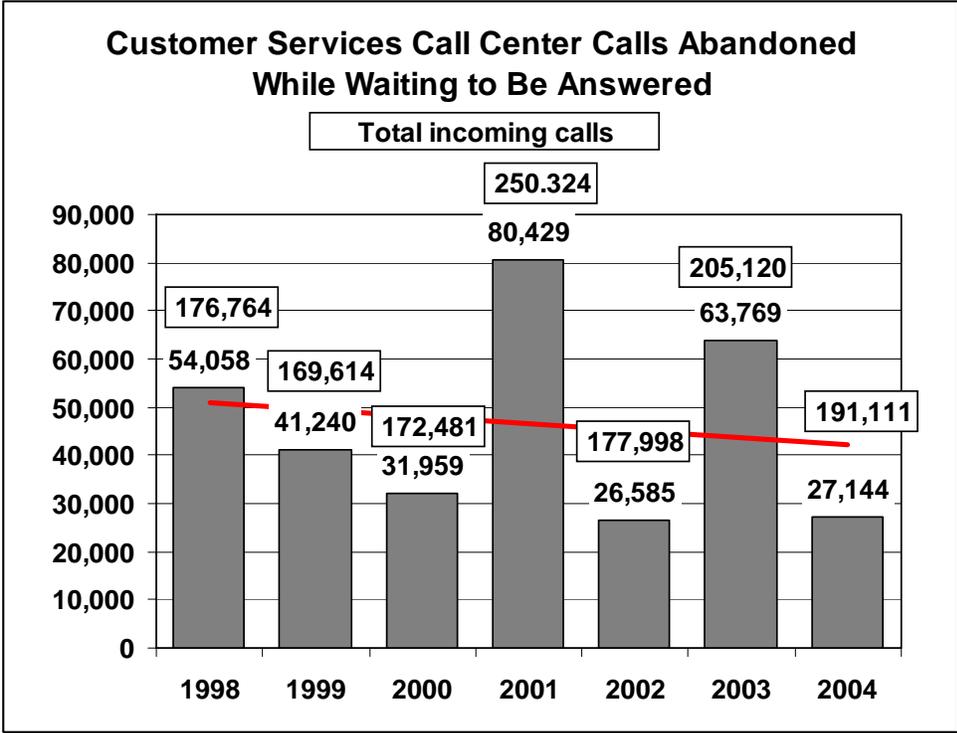


A claim processed is the number of files released to payroll for benefits to begin as of a certain date. A member may have retired and not yet been released to payroll for various reasons. For example, a member's date of retirement may be 6/17/04, but the member may not be released to payroll until 7/7/04.

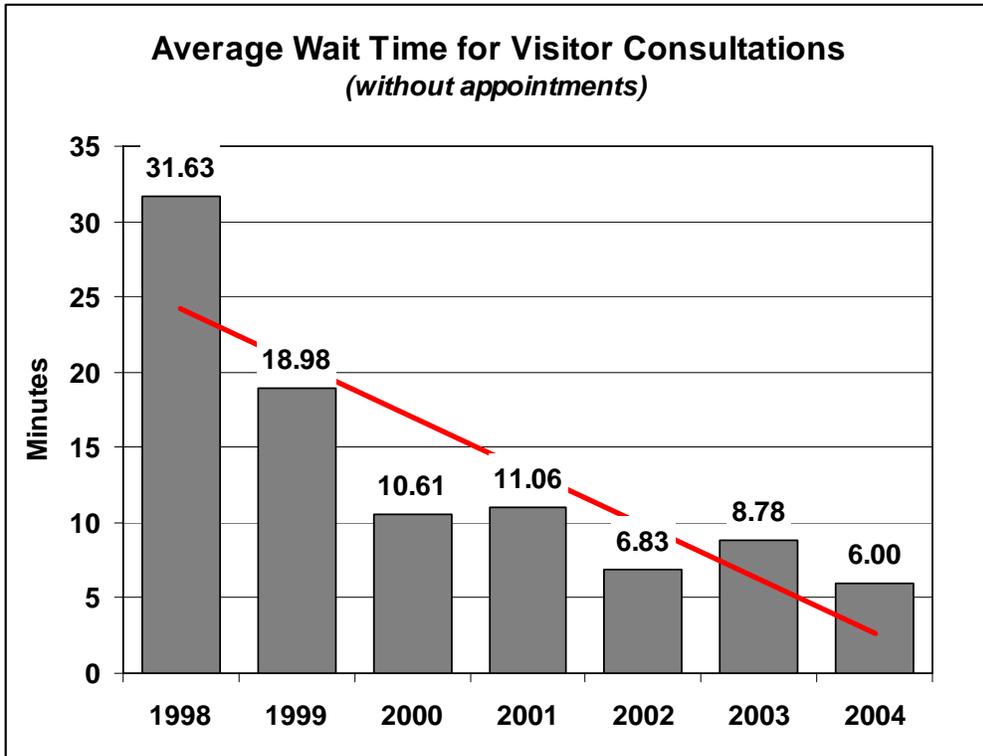
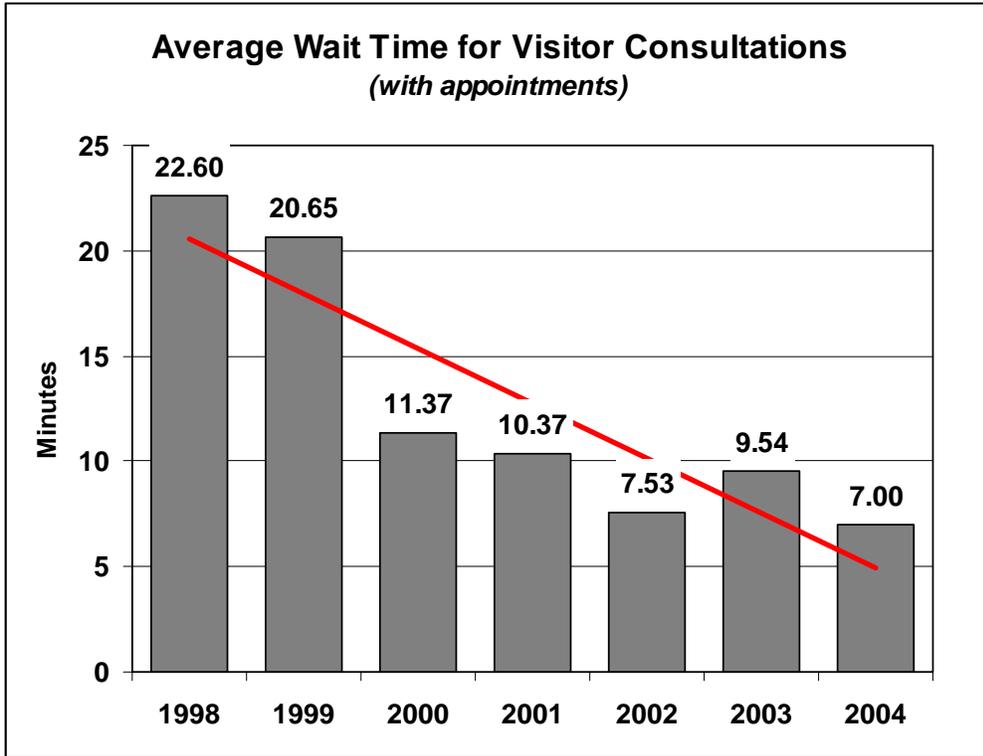
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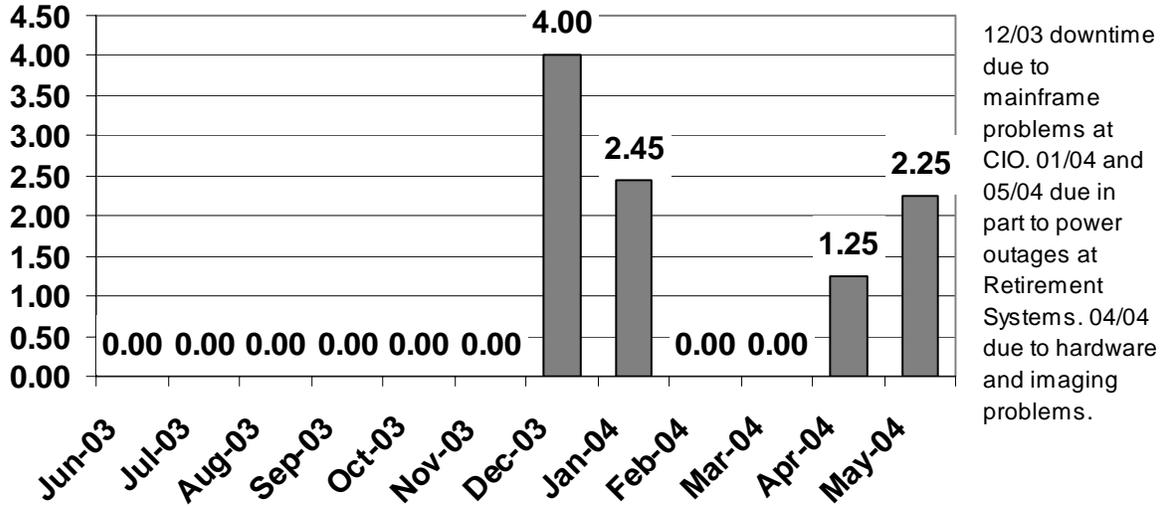


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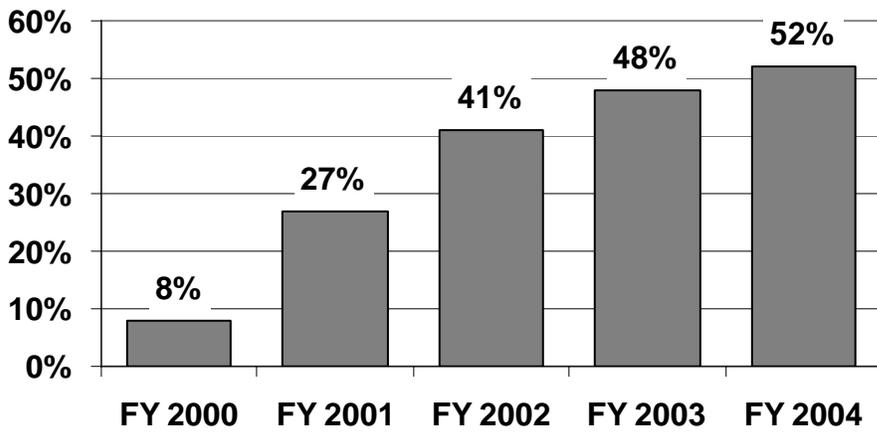


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Information Systems Downtime in Hours/Minutes



Percentage of Employers Utilizing EES



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