



# Office of the State Actuary

*"Securing tomorrow's pensions today."*

January 30, 2015

**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:** ***2015 REPORT ON OSA PERFORMANCE***

On behalf of the staff of the Office of the State Actuary (OSA), I'm very pleased to provide the 2015 Performance Report for the OSA. This is the second 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 employee benefit programs including state pension and retiree 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 \$122.5 billion (with a future value of pension payments totaling \$559 billion for current members).

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 interviews to measure employee satisfaction.

We greatly appreciate your input and welcome any questions you may have on this report and process for the 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.

*N:\OSA\Performance Reports\2015\2015.OSA.Performance.Report.docx*



## Summary Of OSA Performance Measurements

Performance Measurements		
Measure	Goal	Outcome
<b>Fiscal Notes</b>	Complete 90 percent of actuarial fiscal notes on pension bills before a fiscal hearing when provided at least three days notice of hearing.	100 percent for 2014 Legislative Session.
<b>Actuarial Valuation Reports (AVRs)</b>	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 2013 AVR.
	PFC-hired auditors certify all AVRs as compliant with Actuarial Standards of Practice (ASOP).	2013 AVR certified by actuarial auditor as ASOP compliant.
<b>Financial Management</b>	Limit OSA Maintenance Level (ML) budget growth to no more than 10 percent each biennium (including salary growth).	9 percent growth in ML budget from 2013-15 to the proposed 2015-17 budget.
	Return 5 percent of agency budget at the close of each biennium.	5 percent of the 2011-13 budget was returned.
	State Auditor reports no findings in any financial audit of our agency.	No findings in last two audits.
<b>Human Resources</b>	Timely performance evaluations of all staff on an annual basis (excluding state actuary).	Timely evaluations for all staff during the last completed performance cycle.
	100 percent of eligible actuarial analysts participate in actuarial study program.	100 percent participation.
	At least 2 percent of biennial budget spent on training.	2 percent of 2011-13 budget was spent on training.
	At least a 3.0 overall employee satisfaction score. <i>(1.0 = not meeting expectations)</i> <i>(2.0 = partially meeting expectations)</i> <i>(3.0 = meeting expectations)</i> <i>(4.0 = exceeding expectations)</i>	3.5 overall employee satisfaction score.
<b>Client Satisfaction</b>	At least a 3.0 overall client satisfaction score with a minimum score of 2.5 in any satisfaction criterion.	3.9 overall satisfaction score with a minimum individual satisfaction criterion score of 3.2.



## ***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**

<b>OSA Clients</b>	
<b>Legislative Branch</b>	Pension Funding Council, Select Committee on Pension Policy, Legislators and Legislative Staff, GET Legislative Advisory Committee, and Fiscal Committees.
<b>Executive Branch</b>	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.
<b>Boards</b>	Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund, State Investment Board, LEOFF Plan 2 Retirement Board, Public Employees' Benefits Board, GET Committee, and Institutions of Higher Education.
<b>Public</b>	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, March 5, 2014).

### ***Measurements/Outcomes***

<b>Actuarial Fiscal Notes</b>	
Number of pension bills introduced (includes companions and substitutes requested)	<b>22</b>
Number of pension AFNs completed (submitted to OFM)	<b>20</b>
Number of AFNs that received fiscal hearing with at least 3-day notice	<b>14</b>
Number of AFNs completed before fiscal hearing when provided at least 3-day notice	<b>14</b>
<b>% of AFNs completed before fiscal hearing when provided at least 3-day notice</b>	<b>100%</b>



## **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, December 1, 2014, for 2013 AVR).
- ❖ Every two years for actuarial audit (last measurement, 2013 AVR).

### **Measurements/Outcomes**

<b>Actuarial Valuation Report</b>		
<b>Report Section(s)</b>	<b>Target Date</b>	<b>Date Published</b>
Plan Assets	2/28/14	2/25/14
Section Three: Participant Data	2/28/14	2/25/14
Age/Service Distributions	2/28/14	2/25/14
Age/Years Retired Distributions	2/28/14	2/25/14
Summary of Plan Provisions	5/31/14	5/8/14
Funded Status	7/31/14	7/31/14
Letter of Introduction	7/31/14	7/31/14
Actuarial Liabilities	7/31/14	7/31/14
Actuarial Methods/Assumptions	7/31/14	7/31/14
Section One: Summary of Key Results	9/30/14	9/30/14
Section Two: Actuarial Exhibits	9/30/14	9/30/14
Certification Letter	9/30/14	9/30/14
Contribution Rates	9/30/14	9/30/14
Actuarial Gains/Losses	9/30/14	9/30/14
Effect of Plan, Assumption, and Method Changes	9/30/14	9/30/14
Historical Data	9/30/14	9/30/14
2013 Actuarial Valuation Report (final version)	9/30/14	9/30/14
2013 VFF Relief and Pension Fund AVR (final version)	10/31/14	10/16/14
<b>Number of Target Publish Dates</b>		<b>18</b>
<b>On-Time Publish Dates</b>		<b>18</b>
<b>% of Target Publication Dates Met</b>		<b>100%</b>
<b>Compliance of AVR with ASOP (2013 AVR)</b>		<b>Compliant</b>



## ***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, 2011-13).
- ❖ Each State Auditor report (last measurement, audit report for 2005-09).

### **Measurements/Outcomes**

<b>Financial Management*</b>	
2013-15 ML Budget	\$3,543,000
2015-17 ML Budget (proposed)	\$3,863,000
<b>Maintenance Level (ML) Budget Growth</b>	<b>9%</b>
2011-13 Budget	\$3,543,000
2011-13 Budget Returned	\$184,766
<b>% of Budget Returned</b>	<b>5%</b>
<b>Findings in Audit Report (2005-09)</b>	<b>No Findings</b>

*\*Includes any supplemental budget adjustments.*



## ***Attachment E – Human Resources Measurements***

### **Goal**

- ❖ Timely performance evaluations of all staff on an annual basis (excluding state actuary).
- ❖ One hundred percent of eligible actuarial analysts participate in actuarial study program.
- ❖ At least 2 percent of biennial budget spent on training.
- ❖ At least a 3.0 overall employee satisfaction score.

### **Measurement Period**

- ❖ Annually for performance evaluations (last measurement, 2013-14 cycle).
- ❖ Each biennium for actuarial study program (last measurement, 2013-15 Biennium to date).
- ❖ Each biennium for training (last measurement, 2011-13 Biennium).
- ❖ Twice each year for employee satisfaction (last measurement, fourth quarter of 2014).

### **Measurements/Outcomes**

See following page for employee satisfaction measurements.

<b>Human Resources</b>	
Number of Staff in Evaluation Cycle (Excluding State Actuary)	10
Number of Performance Evaluations On Time	10
<b>% of Timely Employee Evaluations</b>	<b>100%</b>
Number of Eligible Actuarial Analysts	3
Number of Participating Actuarial Analysts	3
<b>% of Eligible Actuarial Analysts Participating in Study Program</b>	<b>100%</b>
2011-13 Budget Spent	\$3,149,667
2011-13 Budget Spent on Training	\$49,138
<b>% of Budget Spent on Training</b>	<b>2%</b>



## ***Attachment F – Employee Satisfaction Measurements***

### **Goal**

At least a 3.0 overall employee satisfaction score.

- ❖ 1.0 = not meeting expectations.
- ❖ 2.0 = partially meeting expectations.
- ❖ 3.0 = meeting expectations.
- ❖ 4.0 = exceeding expectations.

### **Measurement Period**

- ❖ Twice each year (last measurement, fourth quarter of 2014).

### **Measurements/Outcomes**

<b>Employee Satisfaction</b>	
<b>Satisfaction Criterion</b>	<b>Score</b>
How satisfied are you with your work-life balance?	3.4
How satisfied are you with your total compensation?	3.0
How satisfied are you with the office culture?	3.6
How satisfied are you with your current work?	3.5
How satisfied are you with our current work processes?	3.4
How satisfied are you with the training and development you receive?	3.6
How satisfied are you with the facilities and equipment/software provided?	3.9
<b>Overall Employee Satisfaction Score</b>	<b>3.5</b>





## ***Attachment G – Client Satisfaction Measurements***

### **Goal**

- ❖ At least a 3.0 overall client satisfaction score.
- ❖ With a minimum score of 2.5 in any satisfaction criterion.
  - 1.0 = not meeting expectations.
  - 2.0 = partially meeting expectations.
  - 3.0 = meeting expectations.
  - 4.0 = exceeding expectations.

### **Measurement Period**

- ❖ Annually (last measurement, 2014 calendar year).

### **Measurements/Outcomes**

<b>Client Satisfaction</b>	
<b>Satisfaction Criterion</b>	<b>Score</b>
Did you know who, how, and when to reach us?	4.0
Once you contacted us, how satisfied were you with the initial response?	3.9
Did you feel understood during the engagement?	3.8
How satisfied were you with the consulting you received?	3.9
How satisfied were you with your involvement in the engagement?	3.9
How well did the agreed upon deliverable meet your expectations?	3.8
How well were you supported after the deliverable?	3.9
<b>Overall Client Satisfaction Score</b>	<b>3.9</b>

*Excludes SCPP. Please see Attachment H for SCPP client satisfaction scores.*



## ***Attachment H – SCPP Client Satisfaction Measurements***

### **Goal**

- ❖ At least a 3.0 overall client satisfaction score.
- ❖ With a minimum score of 2.5 in any satisfaction criterion.
  - 1.0 = not meeting expectations.
  - 2.0 = partially meeting expectations.
  - 3.0 = meeting expectations.
  - 4.0 = exceeding expectations.

### **Measurement Period**

- ❖ Annually (last measurement, 2014 calendar year).

### **Measurements/Outcomes**

<b>SCPP Client Satisfaction*</b>	
<b>Satisfaction Criterion</b>	<b>Score</b>
<b>Policy and actuarial analysis, research, and consulting?</b> <i>(Objective, reliable, understandable, timely, useful for decision making, issue framing, policy and procedural options, next steps.)</i>	3.8
<b>Presentations?</b> <i>(Effective, easy to follow, engaging, objective, useful for decision making, key takeaways.)</i>	3.8
<b>Written meeting materials and the SCPP website?</b> <i>(Organization, format and content, detail vs. summary, consistent, available, accessible, easy to read, useful for decision making.)</i>	3.7
<b>Education?</b> <i>(Useful, appropriate audience, helpful in understanding issues, accessible.)</i>	3.3
<b>Support for meetings and members?</b> <i>(Facilities, scheduling, materials, lunches, processes, direction, listen, respond, help, inform, orient/educate, consult, member resources.)</i>	3.7
<b>Overall Client Satisfaction Score</b>	<b>3.7</b>

*\*Executive Committee members only.*