



PB² Performance Report

No. 98-47

February 1999

Retirement Program Reports High Customer Satisfaction Rates; Resources Efficiently Used

This report assesses the performance of the Retirement Program based on 1997-98 measures and comments on measures proposed for 1999-2000 under performance-based program budgeting (PB²).

Summary

- The Retirement Program continues to achieve high rates of customer satisfaction and is efficiently using its resources compared to other large state systems.
- Although the program did not meet its performance standards for approximately half of its PB² measures, the amount by which the program under-performed for most of these measures was not significant.
- The program needs an additional PB² measure to provide greater accountability for its use of resources. The program's measures could also be improved to provide information on how well the Florida Retirement System is serving its primary purpose of attracting and retaining employees.
- The program's accountability system met OPPAGA's expectations in all four areas (*program purpose and goals, performance measures, data reliability, and reporting of information and its use by management*).
- We provided a draft copy of our report to the Director of the Division of Retirement, who generally concurred, but had some exceptions. A complete copy of the response starts on page 22.

Background

The Retirement Program is responsible for administering statewide retirement systems, which include both state government and local government employing agencies, and provides oversight of retirement plans administered by local government. The program is administered by the Division of Retirement. As provided by s. 121.1905, F.S., the division is administratively housed within the Department of Management Services for organizational purposes, but operates independently of the department. The division director is appointed by the Governor and confirmed by the Senate.

The Retirement Program encompasses all of the division's activities. The program provides services through two sub-programs.

- **State-Administered Public Retirement Systems** -- This sub-program administers all statewide retirement systems, the largest of which is the Florida Retirement System (FRS). Administering the FRS is the program's primary responsibility. Approximately 800 government agencies participate in the FRS, including all state agencies, counties, and school boards, and many cities and special districts. The FRS provides retirement benefits to approximately 600,000 active employee members and 166,000 retirees. Program activities to administer statewide retirement systems include issuing benefit payments to retirees and beneficiaries, determining eligibility for retirement system membership and disability benefits, and enrolling employees as FRS members. The program also maintains retirement records, counsels members on their retirement rights and benefits, and processes requests from members for retirement account audits, including benefit estimates.¹
- **Oversight and Monitoring of Local Government Retirement Systems** -- This sub-program is responsible for overseeing and monitoring 444 local public retirement systems, including 189 local firefighter and 194 police officer pension plans that are not part of the Florida Retirement System. These plans have a total of approximately 170,000 members. Program activities include monitoring the actuarial soundness of local retirement systems, reviewing the actuarial impact of any proposed changes to these systems, and approving the distribution of insurance premium tax revenues to qualified municipal police officer and firefighter pension plans.

The majority of the Division of Retirement's funding goes to pay benefits for retired members. For Fiscal Year 1998-99, the Division of Retirement was appropriated \$27.2 million for program operations and \$2.1 billion to pay retirement benefits. The division was authorized 248 staff for Fiscal Year 1998-99. The division was appropriated \$7.1

¹ Retirement account audits include calculating benefit estimates (estimates of the benefits members can expect to receive upon retirement), calculating amounts due (members' costs to purchase credit for additional years of service such as for time spent in the military), and providing final calculations of retirement benefits when members retire.

million in general revenue funds to pay benefits to retirees of five pension programs that are not part of the Florida Retirement System.

Funds to pay for the administration of the Division of Retirement and the Florida Retirement System are primarily generated by the interest earned on investments made for the retirement and social security trust funds and contributions made by state and local government units participating in the system. Administrative funds are appropriated from the Florida Retirement System Trust Fund and then transferred to the Operating Trust Fund for expenditure. Although operating expenses could be appropriated directly from the Florida Retirement System Trust Fund, the Operating Trust Fund segregates operating expenditures for the purposes of cash control and prompt investments of pension plan contributions.

Performance

The Retirement Program's outcome measures indicate that its customers are highly satisfied with its services, that it is efficiently using its resources compared to other large state retirement systems, and that the ratio of Florida Retirement System (FRS) assets to liabilities is higher than expected.² Although the program did not meet standards for half of its 14 outcome measures, the amount by which the program under performed for most of these measures was not significant.³ For example, while the program did not meet its standards for four of eight customer satisfaction measures, it still achieved satisfaction ratings of at least 88% for each of the four areas. As further example, while the program did not meet its accuracy standard for agency payroll transactions (98.5% accuracy rate), it achieved a 97.9% accuracy level.

The program met its standards for three of five output measures.⁴ Program managers attribute not meeting two output standards to the Deferred Retirement Option Program, which reduced the number of retirees to be added to the retired payroll while increasing staff workload in other areas. The program's remaining output measures generally show that its workload has increased over time.

See Appendix A for a more detailed discussion of program performance for each of its measures.

² Outcome measures are used to assess program results and benefits.

³ For purposes of this report, we considered that the differential between the standard and performance was not significant when the standards exceeded 90% and program performance was within a 5% differential of the standard.

⁴ Output measures are intended to assess the level of services provided.

Proposed Performance Measures

We recommend that the Legislature adopt all but one of the measures proposed by the Division of Retirement. The program's measure that assesses the percentage of standard retirement services provided by the Retirement Program in comparison to those of other large retirement programs should be deleted. The measure does not provide necessary information for assessing program performance and the program's methodology results in measuring a different outcome than that described by the measure. We also recommend that the Legislature consider expanding the measures for the Retirement Program to include a measure of its timeliness in processing benefit estimates, and measures that provide information on how well the FRS is serving its primary purpose of attracting and retaining employees.

See Appendix B for a more detailed discussion of our recommendations for the program's measures.

Rating of Program Accountability

A key factor in PB² is that agencies need to develop strong accountability systems that enable the Legislature and the public to assess program performance. An *accountability system* consists of these key elements: program purpose or goals, performance measures, a process for valid and reliable data, and credible reports of performance that can be used to manage the program. OPPAGA's rating tells decision-makers whether they can rely on the program's performance information. We compared the components of the Retirement Program's accountability system against our established criteria to determine its rating.

Accountability System Component	Meets Expectations	Needs Some Modifications	Needs Major Modifications
Program Purpose and Goals	X		
Performance Measures	X		
Data Reliability	X		
Reporting Information and Use by Management	X		

Source: OPPAGA analysis

The Division of Retirement meets expectations in all four areas specified in the above table. The division's goal is clearly stated, comprehensive, and covers the major aspects of the program. Program performance measures relate to program purposes and objectives and are comprehensive of program activities. The measures adequately assess program performance. However, the program's measures could be improved by

establishing a measure of the timeliness of services and establishing measures to assess how well the FRS retirement benefit attracts and retains employees.

The program also has internal control procedures in place to ensure the reliability of performance data and appropriate methods for reporting this information to the Legislature and to the public. Performance information is clear, understandable, used by management, and available to the public.

For More Information

See FGAR profile <http://www.oppaga.state.fl.us/profiles/6089/> or call Becky Vickers at (850) 487-1316 or Ron Patrick at (850) 487-3878. See also *Program Evaluation and Justification Review, Retirement Program Administered by the Division of Retirement*, OPPAGA Report No. 97-75, June 1998, and *Review of the Division of Retirement's Performance-Based Program Budgeting Measures and Standards*, OPPAGA Report No. 97-39, February 1998. Information about the division is available on its web site at <http://www.dos.state.fl.us/fgils/retirement>.

Appendix A

Analysis of Program Performance for Each of its Performance Measures

Outcome Measures

Performance		1997-98	Met	Comments
1996-97	1997-98	Standard	Standard?	

Percentage of Customers Satisfied with Retirement Information

1. Active Members

72%	80%	70%	Yes	<p>The program's customer satisfaction measures are based on annual surveys of members, retirees, and personnel staff from agencies participating in the Florida Retirement System (FRS). The percentage of active employee members satisfied with retirement information has increased significantly over time (the percentage was 60% in Fiscal Year 1995-96). Performance for this measure also exceeded the Fiscal Year 1997-98 standard. Program managers attribute this performance to an increased level of services, such as providing active members with annual statements and the ability to obtain benefit estimates on the program's web page.</p>
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As of Fiscal Year 1996-97, program staff changed the method they use to calculate survey results. The method used for the results reported here (and on which the Fiscal Year 1997-98 standard was based) included the surveys for which the respondent returned the survey but did not answer the question for which the results are being calculated (non-responsive surveys). Staff changed their methodology to exclude the non-responsive surveys, which is a more acceptable survey methodology (the "valid percentage" method). The satisfaction rates for active employees excluding non-responsive surveys were 67%, 78%, and 87% for Fiscal Years 1995-96 through 1997-98.

Outcome Measures

Performance		1997-98 Standard	Met Standard?	Comments
1996-97	1997-98			
2. Recent Retirees				
90%	89%	91%	No	<p>Although a high percentage of recent retirees were satisfied with retirement information, the percentage did not meet the Fiscal Year 1997-98 standard. Excluding the non-responsive surveys from the calculations yields even higher percentages (94%, 97%, and 97% for Fiscal Years 1995-96 through 1997-98). (Non-responsive surveys are those for which the respondent returned the survey but did not answer the question for which results are being calculated.)</p> <p>Program managers attribute the high satisfaction levels of recent retirees to the level of services provided, such as retiree articles in the FRS Retiree Newsletter and expanded internet information. They also report a continued increase in the number of retirees receiving an exclusion from federal income tax reporting for their Health Insurance Subsidy payments.</p>
3. Other Retirees				
97%	97%	94%	Yes	<p>Longer-term retirees continue to have a high level of satisfaction with retirement information. Satisfaction rates for longer-term retirees excluding non-responsive surveys were 96%, 98%, and 98% for Fiscal Years 1995-96 through 1997-98.</p>
4. Agencies				
98%	96%	98.5%	No	<p>Although satisfaction rates are at a high level for personnel staff of agencies participating in the FRS, the rate did not meet the standard. Excluding the non-responsive surveys from the calculations yields a satisfaction rate of 99% for each of the fiscal years 1995-96 through 1997-98.</p>

Outcome Measures

Performance		1997-98 Standard	Met Standard?	Comments
1996-97	1997-98			
Percentage of Agency Payroll Transactions Correctly Reported				
99%	97.9%	98.5%	No	<p>Although the program experienced a slightly lower accuracy rate over time and did not meet the standard, the difference between performance and the standard is not significant.</p> <p>This measure is an indirect indicator of program success in keeping agencies informed on how to correctly process their payroll transactions. However, it is also a reflection of the performance of state and local agencies in administering their FRS retirement contributions through their payrolls.</p>

Percentage of Retirement Services Offered by FRS in Comparison to Comparable Retirement Programs

Unknown	77%	77%	Yes	<p>Performance met the standard. Program managers reported that the program is providing 17 of 22 services in the group of standard services they have identified. However, as discussed in our prior performance report, the program's methodology for calculating results for this measure has two major weaknesses. First, program staff excluded from their calculations some of the services provided by the other state programs or included services only provided by Florida's program. Second, program staff had not updated their survey of other state programs since 1995. Consequently, the program may not have been comparing itself against services currently provided by comparable programs. Program managers are planning to request the deletion of this measure because of its methodology problems and we agree with the need for deletion.</p>
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Outcome Measures

Performance		1997-98 Standard	Met Standard?	Comments
1996-97	1997-98			
Percentage of Customers Satisfied with Retirement Services				
1. Active Members				
69%	75%	70%	Yes	The percentage of active members satisfied with retirement services has increased significantly over time (the percentage was 60% in Fiscal Year 1995-96). Performance for this measure also exceeded the Fiscal Year 1997-98 standard. Program managers attribute this performance to an increased level of services, such as providing active employee members with annual statements and the ability to obtain benefit estimates on the program's web page. The satisfaction rates for active members excluding non-responsive surveys are 69%, 82%, and 88% for Fiscal Years 1995-96 through 1997-98.
2. Recent Retirees				
90%	88%	91.5%	No	<p>Although a high percentage of recent retirees are satisfied with retirement services, the satisfaction rate did not meet the standard. The satisfaction rates for recent retirees are even higher if non-responsive surveys are excluded from the calculations (95%, 98%, and 97% for Fiscal Years 1995-96 to 1997-98).</p> <p>Program managers attribute the high satisfaction rates of recent retirees in part to implementing a new program to notify recent retirees about their eligibility for the Health Insurance Subsidy if they have not applied for this benefit. An increased level of services, such as retiree articles in the FRS Retiree Newsletter and expanded internet information, also contributed to a high satisfaction level.</p>

Outcome Measures

Performance		1997-98 Standard	Met Standard?	Comments
1996-97	1997-98			
3. Other Retirees				
97%	96%	94%	Yes	The percentage of longer-term retirees satisfied with retirement services remains high and exceeded the standard. Program managers attribute exceeding the standard to increases in the services provided to retirees. The satisfaction rates for longer-term retirees excluding non-responsive surveys were 98%, 99%, and 98% for Fiscal Years 1995-96 through 1997-98.
4. Agencies				
96%	94%	98.5%	No	Although satisfaction rates are high for agency personnel staff, the rate did not meet the standard. Excluding the non-responsive surveys from the calculations yields satisfaction rates approaching 100% (99%, 98%, and 99% for Fiscal Years 1995-96 through 1997-98).
Administrative Cost Per Active and Retired Member				
\$20.84	\$28.47	\$30.58	Yes	The program's administrative cost per member increased over time due to the cost of a large re-engineering project, but was lower than the standard. The program's administrative expenditures for Fiscal Year 1997-98 (\$21.8 million) were lower than budgeted (\$24.2 million). As discussed in our prior performance report, we recommended that program staff exclude the non-recurring cost of the re-engineering project when reporting administrative cost per member and instead report this information in a footnote to the program's Exhibit D-2 in its legislative budget request. The program implemented this recommendation as of Fiscal Year 1998-99.

Outcome Measures

Performance		1997-98 Standard	Met Standard?	Comments
1996-97	1997-98			
Ratio of FRS Active and Retired Members to Division FTE				
3,235:1	3,090:1	3,382:1	No	The ratio of membership to program staff was lower than expected and did not meet the standard. Two factors led to this level of performance: 1) a lower than expected growth rate in FRS membership, and 2) the addition of 14 new FTE positions to administer the Deferred Retirement Option Program. The program's projections of membership growth are based on historical rates. Membership growth rates were slower than historical rates for Fiscal Years 1994-95 through 1997-98.
Funding Ratio of FRS Assets to Liabilities				
91%	91%	82%	Yes	The funding ratio of FRS assets to liabilities was higher than the standard. This performance level is due to favorable investment performance for the FRS assets invested by the State Board of Administration. The reported funding ratios for Fiscal Years 1996-97 and 1997-98 are both based on the most recent FRS actuarial valuation (as of July 1, 1997). FRS actuarial valuations have been conducted every two years since 1984. However, the 1998 Legislature requested that an annual actuarial valuation be made as of July 1, 1998. The results of this valuation are due February 1, 1999.

Outcome Measures

Performance		1997-98 Standard	Met Standard?	Comments
1996-97	1997-98			
Percentage of Local Retirement Systems Funded on a Sound Actuarial Basis				
Unknown	Unknown	98%	Unknown	<p>Program staff did not calculate performance for this measure. The 98% standard was established using methodology that our office and the program's Management Review Section criticized after validating the accuracy of the program's performance data for Fiscal Year 1996-97. The program's methodology resulted in calculating a result other than that described by the measure. A major drawback to the measure as worded was that the program does not review most local retirement systems annually due to the timing of actuarial reports and the program's large backlog of reports to review. Thus, the program would not have information on many local systems' current funding status. The program is proposing to change the title of the measure to <i>Percentage of Local Retirement Systems Annually Reviewed Which Are Funded on a Sound Basis</i> to address this concern.</p>

Output Measures

Performance		1997-98 Standard	Met Standard?	Comments
1996-97	1997-98			
Number of Retirements				
12,443	13,188	14,113	No	The program's workload in adding annuitants to the retired payroll increased over time, but was less than the standard. The program does not control the demand for this service. Program managers conjecture that the number of members electing to retire was reduced over expected levels due to the implementation of the Deferred Retirement Option Program (DROP). They based this conjecture on discussions program staff have had with members when counseling them on their retirement options and the volume of applications they have received for the DROP program.
Number of Retirement Benefit Estimates				
53,831	68,275	72,000	No	The program's workload in providing benefit estimates (used to prepare for retirement) increased over time, but was less than the standard. Program staff were not able to respond to all of the requests for this service in Fiscal Year 1997-98 due to the workload created by the Deferred Retirement Option Program.
Number of Local Pension Plan Valuations and Impact Statements Reviewed				
N/A	911	590	Yes	This is a new measure as of Fiscal Year 1997-98. Program performance exceeded the standard. However, the standard was based on understated workload information for the prior year. The program does not control the demand for this service.

PB² Performance Report

Output Measures

Performance		1997-98 Standard	Met Standard?	Comments
1996-97	1997-98			
Number of Changes Processed				
44,553	53,373	48,899	Yes	Program workload increased over time and exceeded the standard. The program does not control the demand for this service.
Number of Benefits Payments Issued				
1,858,242	1,958,889	1,944,177	Yes	Program workload increased over time and exceeded the standard. The program does not control the demand for this service.

Other Performance Measures

These measures are not part of the programs PB² measures but provide useful information about program performance.

Measure	Performance	
	1997-98	Comments
Comparison of program administrative cost per member to costs for similar large state retirement programs	\$28.47	<p>The Retirement Program continues to operate at costs that compare favorably to the costs for similar large state retirement programs. Only one of the five large state systems used for comparison operated at a lower cost per member. Moreover, if the cost of the program's re-engineering project were excluded from the calculation, the program's administrative cost per member (\$18.84) would be lower than all five of the state retirement programs used for this comparison. Based on a national survey, the administrative costs per member for similar large state retirement programs in 1996 were:</p> <p>\$66.55 for the California Teachers' Retirement System,</p> <p>\$88.67 for the California Public Employees' Retirement System,</p> <p>\$57.85 for the New York State and Local Employees Retirement System,</p> <p>\$41.97 for the Ohio Public Employees' Retirement System, and</p> <p>\$24.41 for the Teacher Retirement System of Texas.</p> <p>The program selected the other state programs for this comparison based on size of membership.</p>

PB² Performance Report

Other Performance Measures

These measures are not part of the programs PB²measures but provide useful information about program performance.

Measure	Performance	
	1997-98	Comments
Comparison of the FRS staffing ratio to ratios for other large state retirement programs	3,090:1	<p>The Retirement Program continues to operate with a staffing ratio that compares favorably to the staffing ratios of similar large state retirement programs. Based on a national survey, the staffing ratios for similar large state retirement programs in 1996 were:</p> <p>1,346:1 for the California Teachers' Retirement System,</p> <p>1,261:1 for the California Public Employees' Retirement System,</p> <p>1,458:1 for the New York State and Local Employees Retirement System,</p> <p>1,540:1 for the Ohio Public Employees' Retirement System, and</p> <p>2,419:1 for the Teacher Retirement System of Texas.</p>

Source: Division of Retirement Legislative Budget Requests and OPPAGA analysis

Appendix B

OPPAGA Recommendations for the Retirement Program's Fiscal Year 1999-2000 Measures

Outcome Measures, Fiscal Year 1999-2000

Measures Proposed by Agency	Proposed Standards	OPPAGA Recommendations/Comments	
Percentage of Customers Satisfied with Retirement Information			
	<i>1. Active Members</i>	86.5%	We recommend adoption of this measure. Program managers are expecting that performance will stay at the same level as Fiscal Year 1997-98 performance (excluding non-responsive surveys).
	<i>2. Recent Members</i>	96.5%	We recommend adoption of this measure. Program managers are expecting that performance will stay at the same level as Fiscal Year 1997-98 performance (excluding non-responsive surveys).
	<i>3. Other Retirees</i>	96.3%	We recommend adoption of this measure. Program managers are requesting a standard at a lower level than Fiscal Year 1997-98 performance. As a result of the program's re-engineering project, program managers are planning to make some changes in retiree payment processing, such as a change in the timing of payment notification. Although program managers think that retirees will be happier with the new system in the long-term, they expect that some retirees will be temporarily less satisfied due to resistance to change.
<i>4. Agencies</i>	94.9%	We recommend adoption of this measure. Program managers are requesting a standard at a lower level than Fiscal Year 1997-98 performance. They are expecting a temporary drop due to the changes in payroll processing that will be required as the program implements improvements due to its re-engineering project.	

Outcome Measures, Fiscal Year 1999-2000

Measures Proposed by Agency	Proposed Standards	OPPAGA Recommendations/Comments
Percentage of Agency Payroll Transactions Correctly Reported	97.9%	We recommend adoption of this measure. Program managers are requesting a standard at the same level as Fiscal Year 1997-98 performance for this measure. However, this represents an amount that is lower than the program's standards for Fiscal Years 1996-97, 1997-98, and 1998-99 (98.5% to 99%). Program managers expect the lower accuracy rate to continue in the short-term because of changes in payroll processing resulting from the program's re-engineering project and the DROP program.
Percentage of Standard Retirement Services Offered by FRS in Comparison to Comparable Retirement Programs	82%	We recommend deletion of this measure. As discussed earlier, the program's methodology for this measure results in measuring a different outcome than that described by the measure. Moreover, the measure is not necessary for evaluating program performance. The program's customer satisfaction measures provide an indirect assessment of whether the program is providing the types of services desired by FRS members and employing agencies.
Percentage of Customers Satisfied with Retirement Services	87.7%	We recommend adoption of this measure. Program managers are requesting a standard at the same level as Fiscal Year 1997-98 performance (excluding non-responsive surveys).
<i>1. Active Members</i>		
<i>2. Recent Retirees</i>	97%	We recommend adoption of this measure. Program managers are requesting a standard at the same level as Fiscal Year 1997-98 performance (excluding non-responsive surveys).
<i>3. Other Retirees</i>	95.8%	We recommend adoption of this measure. Program managers are requesting a standard at a lower level than Fiscal Year 1997-98 performance. As a result of the program's re-engineering project, program managers are planning to make some changes in retiree payment processing, such as a change in the timing of payment notification. Although program managers think that retirees will be happier with the new system in the long-term, they expect that some retirees will be temporarily less satisfied due to resistance to change.

Outcome Measures, Fiscal Year 1999-2000

Measures Proposed by Agency	Proposed Standards	OPPAGA Recommendations/Comments
<i>4. Agencies</i>	94.9%	We recommend adoption of this measure. Program managers are requesting a standard at a lower level than Fiscal Year 1997-98 performance. The standard request is also lower than the standards used for prior years. Program managers are expecting a temporary drop due to the changes in payroll processing that will be required as the program implements improvements due to its re-engineering project.
Administrative Cost Per Active and Retired Member	\$20.60	We recommend adoption of this measure. The requested standard is based on the program's budget request, less the cost of the re-engineering project and program activities to oversee local retirement systems.
Ratio of FRS Active and Retired Members to Division FTE	3,325:1	We recommend adoption of this measure. The requested standard is based on the program's projections of membership growth and its legislative budget request for staff positions.
Funding Ratio of FRS Assets to Liabilities	93%	We recommend adoption of this measure. Program managers are requesting a standard that exceeds the performance level as of Fiscal Year 1996-97 due to an expectation of favorable market conditions.
Percentage of Local Retirement Systems Annually Reviewed Which Are Funded on a Sound Basis	92%	We recommend adoption of this measure. However, we also recommend that the Division disclose the proportion of local retirement systems not covered by the measure when reporting results. The requested standard is based on the percentage of local retirement systems for which program staff reviewed and accepted actuarial documents during Fiscal Year 1996-97. These systems only represented 38% (167 out of 444) of the state's local retirement systems. As we discussed in our prior performance report, local retirement systems are not required to submit actuarial documents annually, and the program has a large backlog of documents from local systems. The backlog is composed of actuarial documents that the program has not reviewed or resolved.

Output Measures, Fiscal Year 1999-2000

Measures Proposed by Agency	Proposed Standards	OPPAGA Recommendations/Comments
Number of Annuitants Added to Retired Payroll	13,200	We recommend adoption of this measure. Program managers are projecting that workload in this area will be the same as in Fiscal Year 1997-98. Their expectation is that many members will elect to participate in the Deferred Retirement Option Program rather than retire. (This measure was formerly called <i>Number of Retirements.</i>)
Number of Retirement Account Audits	83,000	We recommend adoption of this measure. Program managers are projecting increased workload in this area based on historical growth rates. (This measure was formerly called <i>Number of Retirement Benefit Estimates.</i>)
Number of Local Pension Plan Valuations and Impact Statements Reviewed	850	We recommend adoption of this measure. Program managers are requesting the same standard for this measure as the standard for Fiscal Year 1998-99. They consider 850 to be a typical annual workload.
Number of Changes Processed	54,445	We recommend adoption of this measure. Program managers are projecting increased workload in this area as the retired membership increases.
Number of Benefit Payments Issued	2,158,346	We recommend adoption of this measure. Program managers are projecting increased workload in this area due to members retiring.

**OPPAGA Recommendations for
Additional Measures, Fiscal Year 1999-2000**

Measures	Comments
<p>Timeliness in processing benefit estimates</p>	<p>A timeliness measure would provide a more direct indication of service quality than customer satisfaction surveys. In our prior performance report, we commented that the program was taking an average of two months to process an application for a benefit estimate. Program managers were expecting that the re-engineering project would result in significantly improved performance in this area. Program staff would need to collect and analyze baseline data for this measure to set a standard.</p>
<p>Percentage of recently hired employees who cite the FRS retirement benefit as a primary reason for accepting state or local government employment</p> <p>Percentage of experienced employees who cite the FRS retirement benefit as a primary reason for remaining with state or local government employment</p>	<p>As we discussed in OPPAGA Report Number 97-75, issued June 1998, there has recently been a significant amount of interest in alternative plan designs for the Florida Retirement System. This interest has been fueled by factors such as questions about how well the current design of the FRS meets the needs of Florida's state and local government employees, national interest in alternative pension design for government employees, and the FRS's significant progress in accruing assets sufficient to fully cover its liabilities. The program could assist the Legislature's deliberations with measures that provide information on how well the FRS is serving its primary purpose of attracting and retaining employees.</p> <p>Program staff would need to collect and analyze baseline data for this measure to set a standard. The program could revise its annual surveys of active members to obtain this information.</p>

Source: Division of Retirement Legislative Budget Request for Fiscal Year 1999-2000 and OPPAGA analysis

Appendix C

Response From the Department of Retirement

Jeb Bush
Governor

A.J. McMullian III
Director

**State of Florida
Division of Retirement**

CEDARS EXECUTE CENTER ♦ 2639 N MONROE ST BLDG C ♦ TALLAHASSEE FL 32399-1560

January 27, 1999

Mr. John W. Turcotte
Director
Office of Program Policy Analysis and
Government Accountability
Post Office Box 1735
Tallahassee, Florida 32302

Dear Mr. Turcotte:

In response to your preliminary Performanced-Based Program Budgeting Measures and Standards Report for the Retirement Program dated January 1999, we are pleased with OPPAGA's conclusions that:

- "The Retirement Program continues to achieve high rates of customer satisfaction and is efficiently using its resources compared to other large state systems."
- "The program's accountability system met OPPAGA's expectations in all four areas (program purpose and goals, performance, measures, data reliability, and reporting of information and its use by management)."
- "Although the program did not meet its performance standards for approximately half of its performance measures, the amount by which the program under-performed for most of these measures was not significant."

We agree on establishing a new measure of the timeliness in processing benefit estimates. Our plan is to define and implement this measure when the new benefit claims system is implemented upon completion of the Reengineering Improvement and Modernization Project.

Mr. John W. Turcotte
January 27, 1999
Page 2

We do not agree that it is necessary or desirable to establish a measure to provide information on "how well the FRS is serving its primary purpose of attracting and retaining employees." The primary purpose of the Retirement Program administered by the division is to provide retirement benefits to public employees through high quality, cost effective delivery of services, rather than attracting and retaining employees. We feel that this measure more appropriately belongs to the Department of Management Services' (DMS) Division of Human Resource Management that is more specifically concerned with recruitment, selection, and retention of state workers. We will continue to survey our membership and other customers on the importance of retirement benefits, but the primary responsibility to determine the effectiveness of retirement benefits, including all fringe benefits, health insurance, etc., lies with the DMS and not the Division of Retirement.

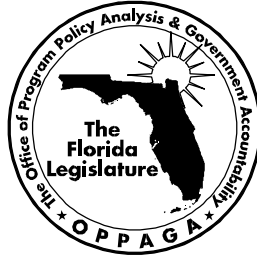
Sincerely,

A.J. McMullian III
State Retirement Director

/mhm

The Florida Legislature

Office of Program Policy Analysis and Government Accountability



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- Florida Government Accountability Report (FGAR) is an Internet encyclopedia of Florida state government. FGAR offers concise information about state programs, policy issues, and performance. Check out the ratings of the accountability systems of 13 state programs.
- Best Financial Management Practice Reviews for Florida School Districts. OPPAGA and the Auditor General jointly conduct reviews to determine if a school district is using best financial management practices to help school districts meet the challenge of educating their students in a cost-efficient manner.

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