



February 15, 2003

Administrative Services Consolidation

Statewide Retirement Systems

*Submitted in accordance with the 2001 First Special Session
Laws of Minnesota, Chapter 10, Article 11, Section 19,
Implementation Plan; Major Statewide Retirement System
Administrative Services Consolidation*



Table of Contents

Introduction	1
Overview of the Retirement Systems	
Minnesota State Retirement System (MSRS)	2
Teachers Retirement Association (TRA)	2
Public Employees Retirement Association (PERA)	3
Current Shared Administrative Activities	
Asset investment	4
Computer links	4
Satellite offices	4
Legal advisors	5
Administrative Functions Shared in Joint Facility	
Board room	5
Training room	5
Courier services	6
Communication and publications	6
Joint educational programs in Greater Minnesota	6
MSRS/PERA single payments for combined service benefit recipient	7
Steps Preliminary to a Complete Administrative Operational Restructuring	
Operational restructuring	7
Impact of plan differences	9
Cost and Other Considerations for Consolidating Information Systems Operation and Structures	
Initial considerations	10
Future considerations	11
Other considerations	12

Alternative Solutions to Administrative Consolidation	14
Conclusion	15
Appendix A - Current Information Systems Structures	
Current information systems structures	17
Minnesota State Retirement System	17
Teachers Retirement Association	18
Public Employees Retirement System	20
TRA and PERA customer service call centers	21

Introduction

The 2001 First Special Session Laws of Minnesota, Chapter 10, Article 11, Section 19 requires the directors of the three statewide funds to prepare and submit to the Legislature a report on the possible consolidation of the administrative functions of the three statewide retirement systems. Specifically, the provision requires the directors to:

- Prepare a report detailing the steps necessary to consolidate the administration of all three systems into a single administrative structure;
- Include in the report proposed legislation detailing the steps and the schedule required to effect an administrative consolidation; and
- Submit the report to the Legislature by February 15, 2003.

We have prepared this report to include the steps we have taken and the areas we are considering for joint administration of some functions purely from the perspective of administrative efficiency and better service to our members. We have not developed a thorough plan for administrative consolidation pending the results of the teacher plan restructuring proposal. If the teacher plans' restructuring proposal is considered, it encompasses much more than an administrative consolidation. Therefore, we have approached our report from the perspective that if at some time an administrative consolidation of the three statewide funds is desirable, there are many factors to consider. We have attempted to identify those factors and have incorporated those areas where we are currently working together to accommodate joint administration of some functions.

Overview of the Retirement Systems

Minnesota State Retirement System (MSRS)

The Minnesota State Retirement System (MSRS) administers nine defined benefit plans, a defined contribution plan for unclassified state employees, the State's deferred compensation program available to all public employees through payroll deduction by their employers, and the Health Care Savings Plan available to state and local government employees. The defined benefit plans provide benefits to all general employees of the State, the State's correctional system personnel, the State Patrol, judges, legislators and elected state officers.

The MSRS currently provides benefit coverage to about 53,000 active employees and 12,000 individuals who have left state employment but to whom benefits are owed when they reach retirement age. About 22,000 individuals currently receive retirement, disability or survivor benefits from the system. As of the most recent actuarial valuation on July 1, 2002, the System had an actuarial value of assets of approximately \$8.9 billion.

Teachers Retirement Association (TRA)

The Teachers Retirement Association (TRA) administers one defined benefit plan for public school teachers and administrators throughout the state except for the teachers of the first class cities of Duluth, St. Paul and Minneapolis. The plan also includes members from the faculty of the state universities and community colleges, and all Minnesota Charter Schools.

TRA currently has an active membership of about 72,000 individuals and 28,000 members who are inactive of which about 8,700 individuals are known to be vested and are entitled to benefits at retirement age. About 35,000 individuals are currently receiving retirement, survivor or disability benefits. As of the most recent actuarial valuation on July 1, 2002, the TRA had an actuarial value of assets of about \$17.3 billion. The actuarial accrued liability for the Association, consisting of the present value of future promised benefits to its retirees and members, was \$16.5 billion as of July 1, 2002.

Public Employees Retirement Association (PERA)

The Public Employees Retirement Association (PERA) administers three defined benefit plans and one defined contribution plan. The Regular defined benefit plan provides benefit coverage to about 138,000 individuals currently employed by cities, counties and those employed by the school districts in non-teaching employment positions. The PERA also has a plan covering about 10,000 city and county police and fire personnel and one for county correctional personnel with a membership of about 3,300. The defined contribution plan administered by PERA primarily covers local government elected officials with a membership of about 4,500. There are also approximately 30,000 individuals who have left local government employment to whom PERA owes benefits at the time the individuals reach retirement age, and payments are currently being made to over 55,000 individuals in the form of retirement, survivor or disability benefits. As of the most recent actuarial valuation on July 1, 2002, the Association had an actuarial value of assets of \$16.1 billion.

Current Shared Administrative Activities

Asset investment

The State Board of Investment (SBI) invests the assets of the three statewide retirement systems. The co-mingling of these assets for investment purposes allows less expensive investment administration and management. The SBI allocates investment expenses to the three plans on a prorated basis determined by the percentage of the assets owned by each plan. Through this allocation of expenses, the funds are able to receive the value of active professional management of the trust funds, without having to individually pay the full cost of the fees that would otherwise be assessed if the trust funds were individually invested. This structure also provides a common set of investment policies and allocation of assets so that the returns are uniform for both the active funds and the Post Retirement Investment Fund in which all three systems participate.

Computer links

Each of the three plans have their own information systems divisions and platforms to accommodate their specific data collection and record-keeping needs. The benefits processing staff members have read-only access to data stored in other retirement plans' data systems, but due to the differences in the technology platforms, do not have the capability to change data or bring it directly into a benefit calculation program used by a different plan. The computer links are extremely helpful in getting to service credit and salary information when responding to requests for information from members with service in more than one plan.

Satellite offices

During 2002, the MSRS and TRA opened satellite offices in St. Cloud and Mankato. The PERA Board of Trustees did not approve PERA's participation in the satellite offices until a cost-benefit analysis of the need for the additional cost could be provided. The PERA Board will revisit the concept of joining in the satellite offices after reviewing administrative costs associated with it. The intent of the joint satellite offices is to cross train individuals on the benefits of all the plans. Staff will be asked to accommodate individual counseling, process benefit applications, and facilitate the educational programs in the areas in which the offices are located.

With the addition of administration of the Health Care Savings Plan to MSRS, the satellite offices allow additional savings. Staff at those offices are able to travel to locations in the area to explain the program and respond to questions interested local government employers and employees, and greater Minnesota state employees have about the new program. This reduces travel and lodging expenses by not having to send staff from the main office in St. Paul.

Legal advisors

The three statewide retirement systems currently share the expertise of two assistant attorneys from the Office of the Attorney General as legal advisors for the staff and the boards. These two individuals are able to compare legal issues encountered by the three funds and ensure consistent interpretation and application of the laws governing the retirement funds. The funds have also been able to share costs associated with the services provided by the legal advisors given the percentage of time spent on each of the systems' issues.

Administrative Functions Shared in Joint Facility

Board room

An approximately 1,100 square foot meeting room was designed for the first floor of the jointly-owned retirement systems' building for use by all three boards and other tenants. The room includes built-in sound and tape recording systems, which eliminates the need for each of the retirement systems and SBI to own and maintain their own sophisticated recording systems for purposes of recording board meetings.

Training room

The new facility includes a 2,700 square foot meeting room to be shared by TRA and PERA to accommodate educational programs for members, employers and staff. This meeting space is also available for use by MSRS, SBI and other tenants of the building. There is another smaller meeting room designed specifically for computer training to be used by PERA and TRA, and if needed, by the other tenants.

Courier services

Each of the retirement systems used to have a staff person assigned to providing courier services for their specific agency. While incorporated into a position with other administrative functions, the systems still required one position each to accommodate courier services which are needed to pick up mail at the main post office so that checks for payment of contributions can be processed and deposited timely, and to daily take back-up tapes off-site for disaster recovery storage purposes. In the new facility, one individual has been assigned this responsibility for all three agencies.

Communication and publications

MSRS and PERA are exploring the option of teaming staff responsible for the design, writing and layout of a variety of informational materials provided to members of the plans. The informational materials to be provided are similar in many ways, although there are important distinctions in provisions of the MSRS and PERA plans.

We expect this teaming arrangement could stimulate more creativity through the exchange of ideas, but most importantly we are hoping to reduce the need for additional staff in either of the two agencies. The intent is to have trained back-ups between the two agencies in this very specialized field. We expect to ask the respective boards for support of a shared position when the Fiscal Year 2004 administrative budgets are proposed in the spring of 2003.

Joint educational programs in Greater Minnesota

TRA and PERA each provide educational programs to explain the reporting requirements of the plans to payroll and personnel officers of the school districts and other local governmental entities (cities, counties, townships, etc.). The two agencies are conducting some joint sessions for school district personnel in order to share the cost of these out-state educational programs, thus reducing the cost of the programs by avoiding duplication of effort and meeting facility, equipment, and travel expenses.

MSRS/PERA single payments for combined service benefit recipient

Preliminary work has been done by staff of the MSRS and PERA in defining the procedures required to combine payments for individuals receiving a payment from each of the systems under the combined service provisions of Section 356.30. It has been decided that the initial payments targeted for this process will be those benefit recipients for which one of the payments is under \$100. Recommendations for modifications to the enabling statute are being developed to enable the two systems to expand the process. Implementation is targeted for July 1, 2003.

Steps Preliminary to a Complete Administrative Operational Restructuring

Operational restructuring

Before any plans or schedule can be detailed for the Legislature, if it is the desire to consolidate the administration of the three statewide systems, the prudent first step would be to engage the directors, key staff and representatives of each of the Boards in a strategic planning exercise, a costly and time-consuming process. Elements to be considered would be:

- **Relationships with participating employers** – the reporting of participant personal data, salary and contributions varies among the three retirement systems given the number and variety of participating employers. The MSRS has a direct connection to the State's Central Payroll system, enabling them to collect accurate, current payroll data on the majority of their participants. PERA has established flexible reporting requirements to accommodate the average 5,200 monthly payments for bi-weekly payroll data submitted on behalf of PERA's more than 150,000 active members. TRA has a periodic payroll reporting system with approximately 500 employer units who not only report salary and retirement constituencies, but also determine the credited service for each teacher based upon the number of days and hours per day worked. PERA does not collect similar data on its members, so while PERA and TRA provide retirement benefits for employees of the school districts, their reporting requirements do vary enough to require careful consideration of how joint reporting may be accommodated.

- **Consolidated structure leadership** – if it is decided that there should be only one executive director, it is likely the complexity of the various funds would require higher paid assistant or deputy director positions with expertise in the former separately administered systems.
- **Board governance** – is it the intention to consolidate board governance? If so, representatives from the employee groups covered by the three statewide systems should be expected to want to provide input on this subject. If not, the management of the consolidated administrative fund would be required to report to more than one board of trustees, which presents some significant complications. When different priorities are presented from the multiple constituencies, can reasonable guidelines be developed to help the director manage the work of the consolidated organization?
- **Administrative expenses** – a detailed financial record-keeping structure would be required to determine how administrative expenses would be allocated among the trust funds for each of the plans administered by the various systems, such as PERA Regular, PERA Police and Fire, MSRS General, MSRS State Troopers, Teachers Retirement, etc.
- **Training staff on all plans** – training staff to do benefit calculations and counseling can take three months to one year for each of the currently separate systems. Detailed instruction and training programs would have to be developed to accommodate training for staff on the variety of plans administered by MSRS and PERA and for the different options available to retiring teachers. A thorough transition plan to accommodate continuous training while moving to a consolidated structure would require careful thought and detailed time-lines. It is conceivable that comprehensive training could take at least one to two years to rotate adequate staff in and out of the training programs and to provide follow-up to ensure all aspects were fully comprehended.
- **Maintaining the history of the funds and the evolution of the benefit structure** has been key to the appropriate administration of benefits over the years. Incorporating this aspect into the training of joint benefit counselors is absolutely necessary and adds to the complexity and length of training needed to realize any benefits from the consolidation.

- **Centralized call center** – incorporating an integrated voice response system at the front end of the phone to direct callers to the right group of staff trained to accommodate their calls would also require detailed planning and training. It would also require careful research to determine if any of the existing phone systems used by one of the three statewide systems could accommodate the consolidation of the phone centers, or if a new one should be purchased.
- **Information systems consolidation** – see separate discussion

Impact of plan differences

The operating systems developed individually by the three retirement systems currently account for the differences in how each awards service credit and the variety of leave of absence provisions granted based upon the demographic make-up of the membership of the three separate retirement systems and the plans within them. True administrative consolidation, if the intended result is to streamline the collection and recording of service credit and leave of absence data, may require, or may be best served, by making those provisions more uniform.

However, making service credit and leave provisions more uniform requires getting consensus on the final outcome. For example, PERA recently attempted to implement pro-rated service credit, but was unsuccessful. While the intent was to try to make PERA's allocation of service credit more uniform with the other two systems, there were factions that opposed the concept. The leave of absence provisions allowed in the teachers' systems align with the structure and benefits of the teaching profession, but do not necessarily work well with other segments of the public employee workforce. How do we resolve those differences without taking away benefits from current participants or adding cost to plans by adding benefits some members may not currently offer? How do we make sure that all interested parties have input so that if a change is made, it is not reversed after sparse resources have put many hours into designing an implementation plan to accommodate the change, and the plan is ultimately discarded?

Cost and Other Considerations for Consolidating Information Systems Operation and Structures

Initial considerations

Some of the possible areas of joint administration could involve the development of a call center with an integrated voice response system (as mentioned previously), leasing a hot site to accommodate information systems processing in the event of a building disaster, and web services. We intend to create a joint information technology committee of the three systems' most knowledgeable technology professionals just to exchange information and ideas about what each of the three retirement systems are developing. This kind of committee would also be needed to develop an information systems strategic plan derived from the findings of the bigger picture strategic plan that would set the direction for how a consolidated administrative structure would be achieved.

For disaster recovery purposes, it is prudent for the retirement systems to have a computer operations site (hot site) available at another location in the case of a catastrophic event that would prohibit the use of the computer operations in the building. MSRS is less vulnerable as the State's Inter-technology office in the Centennial Office Building can accommodate them as an off-site operations center. TRA and PERA have different operating systems; therefore, they require different technology to accommodate their needs. PERA and TRA may be able to jointly arrange for a hot-site location and avoid duplication of expenses.

The use of Integrated Voice Response Systems has been studied by the three systems, but is not widely used at this time. As the demands for immediate access to information and to handle the increasing volumes of calls to the agencies, this technology may provide some efficiency in managing those volumes. This is another area where the three systems need to discuss the opportunity to share costs and possibly develop a common system to accommodate all three agencies' needs. As technology advances, computer linked phone systems are becoming more popular within customer service phone center structures. Given that the technology infrastructure of the three retirement systems are so varied, engaging this technology in the delivery of our services could post a significant challenge, but one that should be explored anyway. As the baby boom generation moves through the retirement process, demands for quick and easily accessible services from the retirement plans' members will be great.

The retirement systems each have developed web sites to provide quick access to information to members and to participating employers. The extent to which those sites provide interaction with the retirement system's main database varies. There are direct links established from each of the sites to the other retirement systems as well as to other useful retirement and financial planning sites available on the World Wide Web. As the retirement systems' web development evolves, a Joint Committee will be able to determine ways to consolidate efforts and perhaps reduce investment costs to keep up with the demand for faster, more immediate access to general and specific member data.

Future considerations

The idea of consolidating the administration of our information systems requires some careful study of the extent of the consolidation. We have tried to put together thoughts about the low to high end of possibilities, but will not be able to go into much depth at this time.

At the low end of the spectrum, managerial functions, network operations or business operations may be able to be consolidated at little cost, but will create a host of other issues. This basically means putting all of the computer operations and systems into one main area and keeping most, if not all, of the current staff to develop and maintain the systems. In assigning a manager to the joint operations, one of the most significant issues to be dealt with would be to what extent developers and analysts must be cross-trained to understand all of the systems' technology architecture and programs. Another would be how priorities are decided when two or more of the different systems need development work, but there may not be enough resources (or the right competencies) available to accommodate the work. The data and data structures among the three funds are very different. Opportunities to develop more than read-only access to those structures is being explored as time permits, but each of the systems have ongoing demands for system upgrades and improvements that will accommodate the increasing service demands from members, leaving little time for expansion of functions beyond the normal scope of daily work.

At the high end of the spectrum would be the decision to build a single set of core business applications that must support the three retirement systems and particularly the variety of benefit plans administered by MSRS and PERA. In 2001, the systems determined that it could cost as much as \$20 to \$35 million dollars to develop this concept, and it is reasonable to expect that those cost estimates will look conservative as time passes. It

should be expected that the investment made recently by PERA, and currently being made by TRA, in their information technology platforms would not be recovered if it is determined that the systems developed would be abandoned for a newly designed core application. It is also likely that an attempt to provide a common application architecture will not provide significantly new business functionality, thus the cost of developing a common application would not justify the end.

Other considerations include:

- Combining the applications to support the three distinct business units (MSRS, PERA and TRA) will complicate the application design and software code, making it more difficult to modify and maintain. Even if all the applications were to be rewritten in a common platform, the business logic will still be reasonably complex. Detailed business rules, constituencies, employers from whom data is collected on individual members, operating modes, and managerial philosophies are very different for each fund, requiring an enormous design and implementation effort.
- The application architectures and platforms between the three agencies are very different. TRA is currently a mid-range environment (AS-400) and will move to a client/server environment by mid-2004. PERA is client/server based, and MSRS is mainframe. This means that it would not be easy or cost efficient to just standardize platforms (and keep business applications separate), because so many changes would be required to the applications themselves. Even if network operations were to be consolidated, labor savings will be minimal, because the platforms are so different that the staff experts currently supporting them would still be needed.
- MSRS is currently fully integrated with the Inter Technologies Group. They are the only system with the majority of their membership already integrated with the State's mainframe through Central Payroll. If MSRS were to decide to disengage from the State's mainframe and fully redesign their applications, possibly integrating with either PERA or TRA's current applications, they could expect to incur a cost of \$10 million or more just for their development. This does not include the additional cost to PERA or TRA to adapt to their needs.

- Some of the fundamental differences in the structures of the plans administered by the three retirement systems have evolved over time to accommodate the special needs and demographics of the members of the systems. As mentioned earlier in this report, service credit determinations, leave of absence provisions, reduction and other actuarial factors used to calculate benefits, and actuarial assumptions are different for the plans, because of the differences in the types of employees for whom those plans provide benefits.
- The reason for pointing out these differences is that common business rules and an enterprise-wide database cannot begin to be formulated and developed without some fundamental changes in these types of plan provisions. It would seem that to be fair and prudent in making any changes to the plan provisions, discussions and planning with the affected constituencies would be required.
- The best time to entertain the development of a an enterprise-wide database may not be for another six to ten years when both PERA and TRA will be looking at leveraging new technology to provide vastly new business functionality. MSRS just completed a major database conversion. They would have to weigh the advantages and disadvantages of moving away from the State mainframe computer, which currently provides essential integration with the State payroll process that reports contributions for the majority of MSRS members. And, all three systems are still recovering from the work associated with converting their systems to accommodate the turn of the century.

Alternative Solutions to Administrative Consolidation

As MSRS prepares to bring the administration of the Deferred Compensation Plan into its operations, PERA and MSRS have had discussions about eventually combining staff in a call center. The phone representatives will be trained to handle calls about the benefits provided by the retirement plans, the deferred compensation plan (DCP) and the health care savings account (HCSP). State and local government employees both can participate in the DCP and HCSP, so having PERA staff trained to respond to inquiries allows a member to contact one resource point rather than be transferred from one person to another until all questions are answered. For the time being, MSRS is working through what will be required for the organization to accommodate this change in their administrative operations.

A joint education/training unit could be developed that would coordinate training and education for the retirement systems' benefit counselors and other staff. The education unit could design the curriculum and draw from experts within each of the retirement systems to provide training on the specific benefits and provisions of the different plans and ancillary benefits administered by the systems.

It has been identified that the benefit counselors' role is significant in helping our members prepare for retirement. All counselors need to have a fundamental understanding of social security benefits and how they differ from the defined benefit and defined contribution benefits offered through the plans administered by the three statewide systems. A central education unit should ensure that the curriculum includes education sufficient to provide comprehensive information to members preparing for retirement.

As mentioned earlier, the MSRS and PERA have discussed a variety of ways we can cross train members of the staff who provide counseling services. Getting the proper education and training program in place will take time, but will produce opportunities for expanding service and information delivery to our members who participate in the variety of programs now available through the retirement systems. Given that the MSRS is in the early stages of setting up administration of the HCSP and is currently planning expansion of their role in delivering the service for the deferred compensation plan, it will require some time, probably a minimum of two years, before a plan to incorporate PERA staff into delivery of this information can be fully formulated and implemented.

Conclusion

The retirement systems have come a long way in providing service to their members in the last decade. All have developed web sites that are easily accessed by their members and others who navigate the Internet. With the adoption of laws allowing purchases of service, the web site calculators developed by all three systems were key in helping manage the significant increase in requests for information on this complicated calculation.

Further development of the web is helping us meet our information service demands and will continue to do so. PERA is currently in the process of developing an interactive web site available to its employers for reporting data on members. The Association is also in the process of developing a three to five-year strategic plan that will incorporate that development, and the development of a secure on-line interactive benefit calculator so as to meet the needs of a growing older population of members.

The use of technology in administering our operations has proven absolutely critical in meeting information service demands, but has also provided an opportunity to expand the scope of service we can provide. We are reasonably certain that the cost of converting our technology infrastructures would never be recovered if those infrastructures were abandoned within the next six to ten years.

Questions about moving to another career, retiring, or just trying to understand what is needed to prepare for retirement life increasingly become a part of the individual discussions members have with our counselors. Defining the appropriate information to share, training staff, developing web applications or links and expanding our assistance through information networks and contacts have become more of the norm for our staff and will continue to expand. We look forward to increasing our ability to assist our members in those areas.

Combining administrative functions to gain efficiency in service delivery while trying to minimize costs will require strategic planning and well thought out design and implementation schedules. The costs associated with planning a major consolidation effort will be considerable. The resources to accommodate such planning efforts will take away from some of the critical work facing the retirement systems as we prepare to move a significant portion of our members – who are part of the baby boom generation – into retirement. Our purpose, and our priority, is to serve our members as they prepare for retirement. If

resources are taken from that purpose to plan for a consolidation, the greatest number of members ever retiring may not receive the level of service they have been promised.

The retirement systems have only been in the joint facility about a year and a half, and all have been busy with system specific issues – such as TRA with the teacher plan restructuring discussions; PERA with contribution deficiency concerns; and MSRS with implementation of the health care savings plan. Little time has been available to develop any detailed plans for where we can engage in joint administrative efforts to gain efficiency and improve member service delivery. Given another three to five years, it is reasonable to expect that there will be proven areas of joint efforts to report to all interested parties. Once valid performance measurements of the cost effectiveness and efficiency in service delivery of those efforts are available – if that is the intended goal of administrative consolidation – then will be a better time to assess if more comprehensive consolidation of the administration of the retirement systems should be pursued.

Our recommendation is that we continue to direct our efforts in fulfilling our responsibility to our members by providing them the information and service they need to move into retirement. We, therefore, have not prepared any additional legislative language.

Current information systems structures

One of the areas for consolidating administration of the three funds into one structure that would provide the most efficiency, but be the most costly to accommodate is in the area of information systems. We thought it would first be instructive to explain our current structures and recent work undertaken to update those operations. With members becoming more educated about retirement, we needed better information system structures to more effectively meet the demands for providing service and information to our memberships and to meet the increase in retirements expected as the baby boom generation moves into the next phase of their lives.

Minnesota State Retirement System

The MSRS collects individual personal data and service and salary data from one major employer, the State, through its Central Payroll processing division. While there are a few other smaller entities reporting personal data on members to MSRS, the majority of the information the retirement system collects comes from Central Payroll.

The MSRS database, where all record keeping for the participants in the retirement plans administered by the System is done, is on Intertech's mainframe computer systems. Connectivity between the MSRS Local Area Network (LAN) and Intertech is done through MNET, the state's wide area network. Disaster recovery of MSRS operations is coordinated with Intertech, and the database is backed up daily to two separate locations. The MSRS expects to continue to do the bulk of data processing for their operations on Intertech's mainframe for several years to come.

In August 2000, MSRS introduced its interactive Web site. The site allows participants to access account values and calculate retirement estimates. To date, 2,200 different members have used the Web site to get personal account information. The static web site averages about 1,800 hits each month, and was recently upgraded to allow members of the Unclassified Plan to make changes to the investment allocation of new and existing contributions to their accounts. In April 2001, 57 percent of all asset allocation changes were handled over the Web, even though it had been available for less than one week.

In January 2003, individuals receiving benefits from MSRS will receive a personal identification number so that they too may access their accounts with the system. The benefit recipients will be able to update addresses (as long as their checks are electronically deposited) and change tax withholding information on-line through the system's interactive web site.

Many of the estimates prepared internally by staff are completed using the Web site calculator. This allows the system staff to generate personalized, automated letters and to bring a lap top computer on road trips to prepare estimates for persons who attend individual meetings.

MSRS completed the imaging of its paper files in May 2001. Over 5 million pieces of paper that provided detailed data on individual participants of the plan were scanned into an optical storage system using Keyfile as the software to accommodate this storage. The entire process took over five years to complete. MSRS plans to update its imaging technology in the coming year.

The optical storage system has allowed MSRS counselors and staff to readily access member information via personal computers. It also has eliminated the need for counselors to take a name and number from a caller, retrieve a paper file and then call the member back. Counselors are able to answer a call, access a member's file in seconds and offer prompt assistance.

Teachers Retirement Association

The TRA collects individual personal data and service and salary data from nearly 500 school districts throughout the state, other than Minneapolis, St. Paul and Duluth. The retirement system requires school payroll personnel to report salary, contributions and credited service for each teacher covered by the plan.

In early 2000, the TRA Board of Trustees authorized a four-year \$15 million project called FROST (Functional Redesign of Strategic Technologies.) The FROST project is designed as a comprehensive systems redesign of all major TRA business processes. As the baby-boom generation continues its march toward retirement, the implementation of FROST is designed to provide the automation necessary to process the nearly 3,500 annual retirements TRA actuaries are predicting by the year 2010.

FROST represents the first extensive new computer systems development in TRA in decades. For key administrative processes, TRA has been using antiquated computer programs first developed over 25 years ago. Since then, the programs have

been modified as legislative changes have occurred. The integrated TRA database will continue to reside on the AS-400 mainframe computer. Program applications will reside and process on a series of network servers providing Graphical User Interface (GUI) or "point and click" screens to a network of TRA employees. The applications are being developed in the Delphi computer language.

The FROST project has been divided into four phases. Phase 1 and Phase 2 of FROST were implemented in July 2002 with the redesign of the employer reporting process in which participating employers communicate salary, service credit and other demographic changes periodically on over 71,000 active TRA members. Phase 3 of FROST will address benefit estimates, refund estimates, annual statements, leaves of absence and internet-based functionality. Phase 4 will redesign the actual benefit payment processes of retirement annuities, disabilities, survivor benefits and federal and state tax reporting. Phases 3 and 4 are scheduled for implementation by mid-2004. Upon full implementation, FROST applications will be integrated with the document imaging system with workflow capabilities. The workflow applications will allow for automated, systematic processing of TRA customer service requests.

TRA implemented a document imaging system in 1999 to replace the ever-growing volume of member files in paper format. Document imaging has improved the processing efficiency of agency operations by organizing documents systematically, allowing use by multiple users and providing disaster recovery protection in the event that the paper records are lost or destroyed. The document imaging system runs on the TRA AS-400 mid-range computer using IBM's VisualInfo application program.

All active member and all inactive members with an account balance are on the document imaging system. As of July 1, 2002, the retiree conversion process was approximately 40 percent complete. The records of members who have taken refunds of their contributions are largely still in microfiche format.

Public Employees Retirement System

The PERA collects individual personal data and service and salary data from over 2,200 local governmental entities including school districts, cities, counties, townships and a variety of miscellaneous entities such as joint powers boards, soil and water conservation districts, etc. The retirement system also collects similar data on a number of state employees who were formerly county employees within the State's judicial districts or school district employees for the State's community college system.

In July 2001, PERA completed a \$10 million project that encompassed the reengineering of the Association's three major operational activities (collecting personal, salary and contribution data on individual members; delivering information and computing benefit estimates and final payments; and paying benefits, refunds and DCP distributions). Before this latest information systems' conversion, the last major implementation of systems development occurred in the late 1970s and early 1980s. The information systems used by PERA prior to the recent reengineering effort were antiquated and inflexible. As more plans were added under PERA's administration and benefit provisions changed, it had become increasingly difficult to modify the old systems to meet operational needs. Also, the membership record-keeping system was extremely limited in its capacity to store additional data on individuals. PERA learned over the years that they could not accommodate many requests from the Legislature for information about members, because they did not have the capacity in their data files to record the specific types of information being requested.

The reengineering project, begun in 1995 with the Board's adoption of a five-year strategic plan, converted years of data maintained on an AS-400 mainframe operating system to a client-server central database supported through a complex network of servers connected to personal computers on every workstation. The mainframe computer was not moved to the new facility, as all operations were converted to client-server technology as of July 1, 2001.

PERA's information technology systems were designed to pre-define reporting fields for the specific data needed in the members' records for benefit calculations. PERA works with local government entities ranging from those that are quite advanced technologically to small townships where information forms are still completed manually and sent through the mail. Its systems must be flexible to accommodate the variety of pay schedules

used by the local units of government and their service agencies and must be capable of processing an average of 20,000 contribution transactions a day and 70,000 payments (via Electronic Funds Transfer and paper checks) a year.

PERA defined requirements and purchased hardware and software to accommodate imaging of more than 600,000 paper and microfilmed files on current and former members and all benefit recipients. The process to convert several million documents to electronic images and to fully integrate optical storage of those records will take years to complete.

PERA acquired Panagon IDM software from Filenet to accommodate its optical storage imaging needs and developed a custom workflow application using @Work Custom Solution software to route electronic documents within the agency.

TRA and PERA customer service call centers

As part of its reengineering efforts, PERA implemented a call center in April 1997 using an automatic call distribution (ACD) system like that used by the Office of the Secretary of State. The system includes a Management Information System (MIS) that allows PERA to track call volumes and other management data important to ensuring the proper level of staffing required to accommodate service demands. PERA has three full-time staff responsible for taking calls with the goal of handling those calls at the first point of contact with the agency. There are about 20 other Pension Services Division staff, who spend 50 to 60 percent of their time on the phones, as needed to accommodate the daily influx of phone calls. These staff members are also responsible for calculating estimates and final benefit payments, and providing individual counseling to members in the office and outstate. PERA receives over 106,000 calls each year.

The TRA has a dedicated a group of five retirement services specialists to staff the Telephone Service Center that receives about 60,000 calls a year. All of the retirement counselors in the Customer Service Division have telephones whereby they can log on and become part of the Telephone Service Center also. The goal of the center is to address over 90 percent of calls on a first-time basis, without the need for further transferring within the office. TRA upgraded its telephone system upon its move into the new building to provide for additional call capacity and new features. TRA's phone system is also an ACD system which allows TRA to change messages and track call volumes and other data.

