



Benefits and Services Committee

Item Number 3 – Open Session

Subject: Quality Management and Account Review Approaches in Employer Services

Presenter(s): Jeff Zimmer

Item Type: Information

Date & Time: May 2, 2024 – 15 minutes

Attachment(s): None

PowerPoint(s): Employer Services Quality Management and Account Review Approaches

Item Purpose

To provide the committee information about newly established efforts around quality and risk management and expanded account review methodologies. These were developed in service of the Employer Services mission to build relationships with employers and business partners by providing service and education that lead to accurate contribution reporting and member benefits.

This informational item provides details about the preliminary results achieved by the new and expanded teams dedicated to the evolution of quality management in the last fiscal year since the augmentation of permanent resources, and how these efforts continue to mature from pilot to program.

Executive Summary

In 2022, CalSTRS completed the Employer Reporting to Final Benefit project, a cross-functional effort to identify ways to improve the rules and processes related to the lifecycle of how contribution information reported by employers of CalSTRS members supports the calculation of benefits when those members retire. The project investigated and implemented legislative changes (some of which became parts of AB1667, and the remainder are included in current proposed legislation to simplify creditable compensation reporting rules: AB1997), as well as examining internal operations that impact how we ensure quality for the service we provide to employers and how we analyze account information in pursuit of accurate retirement benefits.

The success of the Employer Reporting to Final Benefit project and its analysis of high-potential areas of innovation and improvement led to a request for additional staff to begin a formal quality management program and to expand the existing Compensation Review Unit in Employer Services. The board approved this budget request and in July 2024, Employer Services began hiring to establish a Quality and Risk Management Team and to supplement existing Compensation Review Unit management and staff.

Background

Quality and Risk Management

In March of 2023, Employer Services started a pilot effort to establish structure around formal quality management and assurance. A critical goal of Employer Services is to provide thorough and correct information to employers through education and responses to their daily inquiries about how to accurately report creditable compensation data to CalSTRS. CalSTRS receives more than 6000 lines of member data per hour and those data become the basis for our members' future benefit. This quality management pilot was a key evolution to provide additional assurance that Employer Services provided the right information to employers to further improve the quality of their reporting.

The pilot effort began in March 2023 to establish the basic structure of a quality program in Employer Services. The initial step required setting standards to measure each outgoing response to an employer inquiry (these mostly arrive via email or a message through the Secure Employer Website). The five standards for quality became:

- Accuracy
- Service
- Education
- Tone
- Style

Staff contributing to the pilot developed objective criteria for each standard and began sampling responses to employer inquiries to measure against those standards. Each of those standards is important to a thorough, professional, and most importantly, an accurate response to an employer's question.

In July 2024, the team began hiring the new positions established for this purpose. As of February 2024, the team is fully staffed with a leader and four analysts supporting its mission and vision:

Support the division's goal of maintaining accurate reporting and providing quality service and education to stakeholders by establishing and maintaining consistent quality standards and risk mitigation protocols.

- Collaboratively develop quality assurance measures to foster consistent understanding and application of division standards.
- Review workloads for compliance with division service standards, applicable laws, and guidelines to identify trends and recommend opportunities for improvement.
- Identify areas of risk and develop internal control strategies in collaboration with division leadership.

Beyond the evaluation of responses to standards and developing procedures and guidelines that are inspected for consistency and quality, the team provides useful information to leaders of staff who have direct interaction with employers. The feedback and real-time examples that the quality control efforts produce have become valuable coaching tools for leaders and their teams, and any identified trends regarding potentially confusing topics become subjects for internal training and future inclusions to external employer training.

Quality and Risk Management Metrics

While the team continues to mature and evolve its metrics, the Quality and Risk Management team has quickly developed ways to capture and display data to share with leaders. The initial emphasis is on responses to employer inquiries submitted via email and Secure Employer Website and will likely expand to quality control of responses given via voice call, and to other areas within Employer Services that have direct interaction with employers.

The team has sampled 472 inquiries in FY23-24 (through March), for a sample rate of 23% of the inquiries that meet sampling criteria. The results against each standard have been (benchmark of 85%):

- Accuracy: 93%
- Service: 96%
- Education: 88%
- Tone: 89%
- Style: 73%

These initial results helped prove what we long believed but now can quantify and measure improvement towards: Employer Services staff delivers high-quality professional service with accurate information. Style is the newest and most subjective standard, and one the team continues to explore for objectivity and future training.

In addition, the team has taken on procedure maintenance and development for all of Employer Services. Since July, the team developed 12 procedures, updated six and retired five no longer in use (helping ensure no one follows outdated or unsanctioned procedures, which could be a quality risk).

These initial efforts and their results show the promise of the leadership and staff involved in making the Quality and Risk Management program an integral part of the future of Employer Services.

Compensation Review Unit: Pre-Benefit Account Reviews

Another high-value area of operational importance that warranted adding resources and expanding its mandate was the existing Compensation Review Unit. Historically, this team focused on analyzing members' retirement benefits after those benefits began and investigating those that met certain high-risk thresholds for final compensation and special compensation, among other criteria. Since its inception in 2011, the Compensation Review Unit has analyzed tens of thousands of established benefits to look for potential errors and anomalies. This is a critical function to benefit risk management that the team will continue to perform.

Like the establishment of the Quality and Risk Management Team from Employer Reporting to Final Benefit Project recommendations, Employer Services saw opportunity to expand the scope of the Compensation Review Unit to begin sampling members' accounts prior to retirement in the pursuit of minimizing risk of a contribution reporting error causing a benefit adjustment after retirement. With the board's approval of additional resources, the Compensation Review Unit also began hiring a new manager and staff in July 2024 to supplement its legacy workload with this new function.

To best utilize these new resources and to scope the new methodology appropriately, the team and its leadership began a test approach for pre-benefit account reviews in January 2024. The initial approach samples members' accounts that have applied for retirement at a future date (members can submit a retirement application six months prior to their requested benefit effective date). The team's primary goal in the first half of FY23-24 was to establish a repeatable methodology with some reasonable probability that it will need to be revised given that this workload started from the ground up.

Preliminary Pre-Benefit Account Metrics

It is important to note that this workload will evolve over time with the benefit of experience and innovation, and these results likely cannot be extrapolated to larger populations. The team reviewed 68 accounts of members with submitted service retirement applications (that is, members for which we have a high certainty will soon be receiving a benefit). Of those 68 accounts the team analyzed, they found three that required employer verification for pay rates and two that required employer verification of special compensation.

While the methodology will evolve over time and with experience, this initial approach provides lessons on the practices, processes, and time required to perform this function, as well as the real impact it can have on minimizing the risk of benefit adjustments after retirement. This knowledge can be applied as we expand the sample population to include members who recently completed a benefits planning session and could include data from members who utilized new estimate tools in BenefitConnect.

Strategic Plan Linkage:

Initiative 2C1: Increase reliability and accuracy of member account data and final benefit components.

Board Policy Linkage: N/A