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Message from the Treasurer

Building and Maintaining a Fiscally Sound and Prosperous North Carolina

Dear fellow citizens,

I am pleased to present the North Carolina Department of State Treasurer’s Strategic Plan for 2010–2012. The plan is produced under executive order from the Governor of North Carolina, and represents the strategic direction, goals, and performance measures of the Department.

Over the past year, the State of North Carolina pension fund has outperformed the national average for pension funds by 30%, ranking second in the United States by Standard and Poor’s. In addition, North Carolina is currently one of seven states to hold a triple-A bond rating for strong financial and debt practices from the three primary rating agencies.

During these tough economic times, we remain focused on the long term. Our strategic goals aligned to achieve our vision begin with protecting the pension fund and continuing the conservative debt practices that help keep the state in secure financial standing.

Other strategic goals include increasing customer service, contributing to state innovation and economic development, advancing financial literacy, and identifying and increasing operational efficiencies where applicable to further gain time and cost savings for the State of North Carolina.

Consistent with one of the primary pillars established for the Department, we not only pledge transparency and ethics, but we have begun initiatives to ensure that these values are practiced at all levels. Furthermore, we have installed associated performance measures to ensure accountability throughout the organization.

As Treasurer for the State of North Carolina, I remain dedicated to ensuring the achievement of the objectives outlined in the 2010–2012 Strategic Plan, fulfilling the obligations of the Department, and providing real value to our customer, the citizens of North Carolina. On behalf of the Department of State Treasurer, we look forward to working with you to build a fiscally strong and prosperous state.

Sincerely,

Janet Cowell

Treasurer, State of North Carolina
Overview

The 2010–2012 Strategic Plan provides the vision, mission, strategic goals, and performance measures for ensuring the desired results for the Department of State Treasurer. The plan is a result of the assessment, goal setting, and planning process of the Department, designed to influence future success and achieve departmental goals.

Strategic Plan Outline

The Strategic Plan begins with the understanding of the vision and mission for the Department, as well as the core values that will be practices throughout the implementation of the plan. Strategic goals have been established for the Department, and outline what the Department plans to accomplish in 2010–2012.

Objectives have been set for each goal to ensure proper alignment in achieving the goals. For each objective, initiatives have been established to accomplish the necessary project-level tasks to meet each objective.

Performance measures have been provided at the objective level for the purposes of this document. Consistent with the Department's culture of accountability, performance will be measured at each level during implementation of the plan.

NOTE: For more information on the structure and framework of the Strategic Plan components, see the Strategic Framework section of this document.

Flexibility for Optimal Success

The Strategic Plan will be considered a live document during its 2010–2012 implementation. As barriers are removed and enablers are promoted, we will consistently evaluate the plan components, prioritize objectives, adjust timelines, and allocate resources as needed to ensure effective and efficient achievement of goals, and maximum results.
Vision
Our vision is to create and maintain a fiscally sound and prosperous North Carolina.

Mission
Our mission is to exercise fiduciary oversight and provide outstanding customer service that provides value to, and instills confidence by, the state’s citizens, customers, and financial community.

Core Values
Each of the following core values of the North Carolina Department of State Treasurer is implemented consistently at all levels, across all departments and initiatives.

Core Values

**Customer Orientation** – Keep the customer, the citizens of the state of North Carolina, at the center of our focus in all that we do.

**Diversity** – Recognize and value the benefits of diverse ideas, perspectives, and people through human resources practices, vendor selection, and operational procedures.

**Expertise** – Recruit and maintain the highest levels of expertise in all aspects related to the Department of State Treasurer through hiring, contract services, retention, and training of resources. To provide the optimal level of service to the citizens of North Carolina.

**Integrity** – Establish and maintain the highest level of integrity by installing and ensuring ethical practices throughout the department.

**Long-term View** – Maintain a big picture perspective and strategy, consistent with the goals and responsibilities of the Department of State Treasurer.

**Transparency** – Structure and conduct all aspects of government regarding the Department of State Treasurer with an open and transparent policy, promoting both trust and accountability.
Strategic Goals
The North Carolina Department of State Treasurer has identified the following seven strategic goals for 2010–2012:

I. Protect the Pension by Optimizing Returns and Plan Design Features
II. Apply Conservative Debt Management Practices to Maintain the State’s AAA Bond Rating
III. Ensure Transparency, Ethics, and Accountability
IV. Increase Customer Service
V. Increase Operational Efficiencies and Improve Risk Management
VI. Contribute to State Innovation and Economic Development
VII. Advance Financial Literacy across North Carolina

Process
The Department of State Treasurer conducted a local strategic planning meeting to establish a baseline and envision a desired future of the Agency that would create and maintain a fiscally sound and prosperous North Carolina.

Incorporating Diverse Perspectives from Multiple Levels
The 2010–2012 Strategic Plan is the result of a collaborative planning process, incorporating diverse perspectives from all levels and divisions of the Department. As part of the process valuable input was obtained from leadership, external sources, and staff members that interact with the customer through our services most frequently. This complete process allowed the Department to identify and address key areas for improvement at all levels, focusing heavily on the customer, and compose a strategic plan to gain the highest efficiencies and overall results.

Environmental Assessment
An environmental assessment and S.W.O.T. analysis of the Department and its ability to perform its duties were conducted. The results of the analysis were used to compose the Strategic Plan.

Focus on Continuous Improvement
The goals outlined in the strategic plan, as well as the emphasis on measurement and results, represent the Department’s focus on continuous improvement. The data gathered during the implementation of the strategic plan will be used to further improvements and provide continuous, added value to the citizens of North Carolina.
Strategic Framework
The following framework is used to structure and implement the levels of the Strategic Plan:

The framework ensures alignment with the vision, mission, and organizational goals; incorporation of core values; and use of performance measurement to realize, increase, and ensure results.

Performance Measures
The North Carolina Department of State Treasurer will design, implement, and review performance measures to gauge progress toward, and achievement of the stated objectives for 2010–2012. Measures will be designed using proven, results-based methodologies.

Use of Performance Data
Performance data will be analyzed and used to:

- Invest and further successful initiatives for continued results
- Adjust or eliminate programs with less than optimal performance to increase results
- Support a culture of accountability for each initiative

Use of Metrics and Performance Analysis for Continuous Improvement
The North Carolina Department of State Treasurer uses metrics, scorecards, web statistics, lessons learned, and full return on investment methodologies to measure the progress, value, and return of initiatives, and to continuously improve the results.
Strategic Goals and Measures

Strategic Goal I: Protect the Pension by Optimizing Returns and Plan Design Features

Overview
One of the primary responsibilities of the Department of State Treasurer is to provide a safe and secure retirement for North Carolina’s 820,000 public employees including teachers, police officers, firefighters, and public servants from all over the state. These individuals rely on the integrity, knowledge, and judgment of the Department of State Treasurer.

The North Carolina pension fund is invested for the long term, and conservatively managed to protect the full funding status. This keeps our state prepared to pay out obligatory pension benefits.

Objectives
The following objectives have been identified to optimize plan design features and overall returns, thus furthering the protection of the state retirement pension:

1. Maximize risk-adjusted return on pension funds.
2. Increase diversification and globalization of assets.
3. Increase identification, measurement, control, and monitoring of both investment and operational risks regarding the pension.
4. Secure and enable adequate resources for effective portfolio management through internal recruiting and retention, and use of diverse, capable vendors.
5. Increase integration of Investment Advisory Committee for macro portfolio management decisions.
6. Complete and implement proactive pension design for future retirement beneficiaries.
7. Increase knowledge and comprehension of stakeholders on obligations and funding requirements for the pension plan.
8. Reduce risk of fraud and abuse in Department of State Treasurer programs, and increase detection and elimination capabilities.
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<th>Performance Measures</th>
<th>Data Collection Method</th>
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</table>
| 1. Maximize risk-adjusted return on pension funds. | • Rate of return.  
• Risk/volatility. | Performance monitoring | • Seek and obtain additional legislative authority.  
• Complete asset allocation study. |
| 2. Increase diversification and globalization of assets | • Satisfactory percentage increase of diversification and globalization, based on established optimal levels.  
• Treasurer and board sign off on achievement of optimal levels of diversification and globalization.  
1. Measure of assets to global market cap, meeting target rate of return for lowest amount of risk. | • Performance monitoring (versus baseline data)  
• Action plan | • Seek and obtain new authority from the legislature to further diversify and globalize assets (hedge, increase alternative capacity.)  
• Identify and implement new diversification strategies. |
| 3. Increase identification, measurement, control, and monitoring of both investment and operational risks regarding the pension. | • Increased percentage of management capabilities (identification, measurement, control, and monitoring) versus baseline and according to optimal levels established by the Treasurer and board.  
• Successful completion of action plan:  
  o Establish measurement of risks.  
  o Establish control documentation/processes.  
  o Establish monitoring documentation/processes.  
• Successful implementation of new system, meeting all specified requirements | • Performance monitoring (versus baseline data)  
• Action plan | • Seek new authority from the legislature to control risks.  
• Hire Director of Risk Management. |
| 4. Secure and enable adequate resources for effective portfolio management through internal recruiting and retention, and use of diverse, capable vendors. | • Successful recruitment and onboarding of resources, as determined by departmental needs analysis.  
• Identification and securing of diverse, capable vendors, as determined by departmental needs analysis.  
• Increased percentage of external assets managed by HUB vendors.  
• Minimum ratio of 1:20 for staff to external | • Performance monitoring  
• Action plan  
• Manager’s observation | • Fill vacant director positions.  
• Fill vacant portfolio manager positions.  
• Review the strategic use of consultants  
• Diversify vendors, money managers, legal assistance, and transaction managers  
• Explore strategic partnerships and relationships  
• Increase diversity of board members. |
<table>
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<tbody>
<tr>
<td>5. Increase integration of Investment Advisory Committee for macro portfolio management decisions.</td>
<td>Successful completion of established targets based on optimal integration levels for effective portfolio management decisions.</td>
<td>• Performance monitoring&lt;br&gt;• Qualitative feedback (Questionnaire, Interview)</td>
<td>• Ensure a strong role for the Investment Advisory Committee.&lt;br&gt;• Establish charter.&lt;br&gt;• Incorporate into organization chart.&lt;br&gt;• Develop ethics guidelines.</td>
</tr>
<tr>
<td>6. Complete and implement proactive pension design for future retirement beneficiaries.</td>
<td>Successful implementation of design features, as determined by board.</td>
<td>Action plan</td>
<td>• Complete study of pension design by Future of Retirement Commission.&lt;br&gt;• Analyze, identify, and approve recommendations of Future of Retirement Commission.&lt;br&gt;• Implement approved recommendations of the Future of Retirement Commission to include policy development and legislative changes.&lt;br&gt;• Make approved recommendations to legislature.&lt;br&gt;• Implement effective communications strategy to communicate recommendations/changes.</td>
</tr>
<tr>
<td>7. Increase knowledge and comprehension of stakeholders on obligations and funding requirements for the pension plan.</td>
<td>• Funding of pension plan.&lt;br&gt;• Budget appropriation of state and local levels.&lt;br&gt;• Benchmark data.</td>
<td>Manager’s observation</td>
<td>• Educate legislature and stakeholder groups on obligations, funding requirements, and overall functioning of the pension plan.&lt;br&gt;• Implement credit and inflation asset allocation classes.&lt;br&gt;• Advocate funding of the system.</td>
</tr>
<tr>
<td>8. Reduce risk of fraud and abuse in Department of State Treasurer programs, and increase detection and elimination capabilities.</td>
<td>• Successful completion of action plan:&lt;br&gt;  o Establish measurement of risks.&lt;br&gt;  o Establish control documentation/processes.&lt;br&gt;  o Number of instances of return-to-work violations detected.</td>
<td>• Performance monitoring&lt;br&gt;• Action plan</td>
<td>• Strengthen oversight boards.&lt;br&gt;• Document standard operating procedures and conduct periodic reviews by internal audit.&lt;br&gt;• Implement an audit team for return-to-work compliance.&lt;br&gt;• Strengthen compliance with disability statutes.</td>
</tr>
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Note: additional performance metrics to be set and incorporated at the initiative level.
Strategic Goal II: Apply Conservative Debt Management Practices to Maintain the State’s AAA Bond Rating

Overview
A triple-A bond rating indicates that North Carolina has followed well-defined financial management policies and demonstrated strong debt management practices. Standard and Poor’s, Moody’s Investors Service, and Fitch Ratings – three primary bond rating agencies – all reaffirmed the “AAA” rating for North Carolina in the 2010–2011 fiscal year. North Carolina remains one of only seven states to enjoy top-tier rankings from all three of the rating agencies.

Objectives
The following objectives have been identified to ensure sustainability in the conservative debt practices, and maintaining of North Carolina’s AAA bond rating:

1. Maintain conservative debt management practices.
2. Increase knowledge and comprehension of General Assembly, local leaders, and other stakeholders on debt capacity guidelines and best practices.
3. Effectively manage resources and request adequate resources (personnel and technology) to ensure effective debt management.
4. Enable state and local units to optimize financial decision-making.

Performance Measurement

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</table>
| 1. Maintain conservative debt management practices.                      | • Debt is structured and debt sales are conducted in a manner that provides the best financing rates available and comply with the recommendations of the Debt Affordability Committee. This includes maintaining a strong working relationship with the three national rating agencies.  
  • All debt service payments are promptly made.  
  • The Debt Affordability Report is accurate, conservative policies are recommended and the Report, meets all statutory requirements and deadlines. | Performance monitoring                 | • Advocate for the modernization of the tax system in North Carolina.  
  • Continue oversight by Debt Affordability Committee.  
  • Update the three rating agencies on all developments that will impact the State’s credit rating and on planned debt issues. |
| 2. Increase knowledge and comprehension of General Assembly, local leaders, and other stakeholders on debt capacity guidelines and best | • Instances of debt issued in non-centralized manner.  
  • Requests for advice consultations on public finance.                                                                 | Manager’s observation           | Statutory clarification of financing authority.                                                                                                                                                   |
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<tr>
<td>3. Effectively manage resources and request adequate resources (personnel and technology) to ensure effective debt management.</td>
<td>• Successful completion of requirements document for adequate resources (personnel and technology.)&lt;br&gt;• Successful recruitment and onboarding of resources, as determined by departmental needs analysis.&lt;br&gt;• Identification and securing technology resources, as determined by departmental needs analysis.&lt;br&gt;• Administrative approval of debt issuance fees.</td>
<td>• Action plan&lt;br&gt;• Manager’s observation</td>
<td>• Debt management technology.&lt;br&gt;• Debt issuance fees adjustment.&lt;br&gt;• Continue knowledge transfer project to protect and retain institutional memory in SLGFD.&lt;br&gt;• Enhance communication through processes and technology.&lt;br&gt;• Identify strategic partnerships to foster effective debt management.&lt;br&gt;• Conduct process review and increase self-service for locals (electronic submission, quality control.)&lt;br&gt;• Upgrade debt management electronic documentation system.&lt;br&gt;• Modernize document management and imaging through upgraded technology.&lt;br&gt;• Document standard operating procedures, and implement internal audit procedures.&lt;br&gt;• Acquire and implement a debt management control system to replace current Excel-based system.&lt;br&gt;• Install and maintain debt control management system.</td>
</tr>
<tr>
<td>4. Enable state and local units to optimize financial decision making.</td>
<td>• Increased percentage in knowledge and comprehension based on pre- and post-program data collection and other methods.&lt;br&gt;• Successful implementation and communication of technology resources allowing for financial decision making.&lt;br&gt;• Number of distressed local units improving finances.&lt;br&gt;• Number of unit visits.&lt;br&gt;• Number of presentations to various groups of elected officials, finance officers, and auditors.</td>
<td>• Questionnaire&lt;br&gt;• Focus group&lt;br&gt;• Action plan</td>
<td>• Educate local units to optimize financial decision making (financial dashboard).&lt;br&gt;• Provide technical expertise and tools to local units to enable optimal financial decision making (better SOPs, FAQs).&lt;br&gt;• Form public finance advisory group to help shape policy.&lt;br&gt;• Develop meta data, allowing local government to make strategic decisions.&lt;br&gt;• Strengthen customer voices and financial oversight.&lt;br&gt;• Enhance communication to customers and boards.</td>
</tr>
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</table>

Note: additional performance metrics to be set and incorporated at the initiative level.
Strategic Goal III: Ensure Transparency, Ethics, and Accountability

Overview
Treasurer Cowell recognizes that restoring public confidence in financial markets, banks and government is necessary in the successful execution of the office. Access to government meetings and documents is enshrined in the state’s constitution and is one of the pillars of a strong democracy.

Objectives
The following objectives have been established to ensure transparency, ethics, and accountability for the North Carolina Department of State Treasurer:

1. Institute and comply with transparent and ethical practices across the department.
2. Increase accountability through performance measurement/management.
3. Reduce risk of fraud and abuse in all Department activities, both internal to Department and external.
4. Strengthen board oversight of Department of State Treasurer programs.
5. Increase incorporation of ethics best practices for associated boards, governments, and vendors.

Performance Measurement

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</table>
| 1. Institute and comply with transparent and ethical practices across the department. | • Percentage of compliance with adopted policies.  
• Successful implementation, communication, and onboarding of policies across department. | • Performance monitoring  
• Action plan | • Review and update investment policies.  
• Develop and implement a proxy policy.  
• Adopt SEC “Pay-to-Play” rules where necessary.  
• Educate department members on the importance and practices of transparency, ethics, and accountability.  
• Implement and monitor placement agent policy.  
• Implement and oversee maintenance of gift ban, placement agent, and revolving door policies.  
• Review and correct any audit findings (see objective # 4.)  
• Replace Internet/intranet infrastructure to support transparency in the public portal.  
• Redesign web content to support transparency.  
• Centralize electronic document management for the Department of State Treasurer. |

Source: HR tracking data
## Strategic Goals and Measures

### Strategic Goal III: Ensure Transparency, Ethics, and Accountability

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</table>
| **2. Increase accountability through performance measurement/management.** | • Increased percentage of integrated performance measures throughout the Department.  
• Increased demonstrations of accountability among staff.  
• Successful implementation of performance measurement system. | • Questionnaire  
• Action plan | • Create and utilize more understandable set of metrics and include in performance management workplans.  
• Create scorecard for the organization.  
• Institute self-service capabilities that act as quality control and introduce status update capabilities.  
• Ensure appropriate organizational design to allow for effective performance management. |
| **3. Reduce risk of fraud and abuse in defined benefit and disability programs.** | • Reduced number of overpayments and errors.  
• Reduced number of incidences of fraud and abuse (if any)  
• Percentage increase of risk management capabilities (identification, measurement, control, and monitoring) versus baseline.  
• Successful completion of action plan:  
  o Establish measurement of risks.  
  o Establish control documentation/processes.  
Successfull implementation of audit committee and boards. | • Performance monitoring  
• Action plan | Continue to monitor for fraud and abuse in defined benefit and disability programs. |
| **4. Strengthen board oversight of Department of State Treasurer programs.** |  
Successful implementation of audit committee and boards. | • Interviews  
• Questionnaire  
• Action plan | • Implement fiduciary training for boards and investment staff where applicable.  
• Empower boards and commissions to exert greater oversight and perform checks and balances with the Department (example: state and local government advisory.)  
• Implement an internal audit committee and team. |
| **5. Increase incorporation of ethics best practices for associated boards, governments, and vendors.** | • Successful incorporation of ethics and best practices.  
• Successful completion of action plan regarding advocating for public financing.  
• Vendor compliance with ethics policies and disclosure. | Action plan  
Manager’s observation | Examine additional ethics measures for supplemental retirement board. |
Note: additional performance metrics to be set and incorporated at the initiative level.
Strategic Goal IV: Increase Customer Service

Customer orientation is at the top of the list of core values for the Department of State Treasurer. It is our commitment to keep the customer, the citizens of the state of North Carolina, at the center of our focus in all that we do.

With the many programs and services that the Department provides, continuous improvement of customer service remains a strategic goal. In 2010–2012, we will be improving technology as well as processes to ensure that each North Carolina citizen experiences time savings and solid customer service when accessing or inquiring about Department of State Treasurer services.

Objectives
The following objectives have been established to ensure increased customer service for the North Carolina Department of State Treasurer:

1. Improve Unclaimed Property program.
2. Achieve a 98% paid status of retirement applications within 60 days.
3. Increase on-time paid status (after board approval) of disability applications.
4. Improve customer service in call center.
5. Increase availability, quality, and use of self-service technologies, saving customers time and improving quality of customer experience.
6. Educate and empower Department staff to provide improved customer service.
7. Increase customer satisfaction with Department services.

Performance Measurement

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<tbody>
<tr>
<td>1. Improve Unclaimed Property program.</td>
<td>• Successful launch of new features and communications around program. • Increased number of inquiries to Unclaimed Property program. • Increased customer satisfaction score. • Increased number and dollars of claims generated and paid.</td>
<td>• Trend line analysis • Questionnaire • Action plan</td>
<td>• Proactively promote Unclaimed Property program. • Clarify instructions around unclaimed property retrieval. • Conduct comprehensive review and implement recommendations.</td>
</tr>
<tr>
<td>2. Achieve a 98% paid status of retirement applications within 60 days.</td>
<td>Successful paid status of 98% or better within 60 days.</td>
<td>Performance monitoring Source: Application tracking system reports</td>
<td>• Educate staff members on new processes, procedures, and technology. • Provide technology support to achieve objective.</td>
</tr>
<tr>
<td>3. Increase on-time paid status (after</td>
<td>Increased percentage of on-time paid</td>
<td>Performance monitoring</td>
<td>• Educate staff members on new processes,</td>
</tr>
</tbody>
</table>

|
### Objective

board approval) of disability applications.

#### Performance Measures

- Increased customer satisfaction score.

#### Data Collection Method

- Questionnaire

#### Initiatives to Achieve Objectives

- Redesign Internet site to support call center.
- Redesign intranet site to support call center staff in responding to inquiries quickly and accurately.
- Educate call center staff on new processes, procedures, and technology.
- Implement self-service features on Internet site.

---

### Objective

4. Improve customer service in call center.

#### Performance Measures

- Increased customer satisfaction score.

#### Data Collection Method

- Questionnaire

#### Initiatives to Achieve Objectives

- Redesign Internet site to support call center.
- Redesign intranet site to support call center staff in responding to inquiries quickly and accurately.
- Educate call center staff on new processes, procedures, and technology.
- Implement self-service features on Internet site.

---

### Objective

5. Increase availability, quality, and use of self-service technologies, saving customers time and improving quality of customer experience.

#### Performance Measures

- Successful rollout of new features for members.
- Increased customer satisfaction score.

#### Data Collection Method

- Action plan
- Questionnaire

#### Initiatives to Achieve Objectives

- Complete technology enhancements to support online features.
- Communicate new features to members.
- Redesign Internet site to provide easy access to new features.
- Redesign intranet site to allow staff support of new features.

---

### Objective

6. Educate and empower Department staff to provide improved customer service.

#### Performance Measures

- Increased knowledge and comprehension of customer service policies, practices, and supporting technology solutions.

#### Data Collection Method

- Questionnaire
- Manager's observation

#### Initiatives to Achieve Objectives

- Educate staff members on customer service policies, practices, and supporting technology solutions.
- Provide staff members information and technology support to empower superior customer service.

---

### Objective

7. Increase customer satisfaction with Department services.

#### Performance Measures

- Increased overall customer satisfaction score.

#### Data Collection Method

- Questionnaire
- Focus group

#### Initiatives to Achieve Objectives

- Establish best practices and new standards in customer service for the Department.
- Educate staff members on customer service policies, practices, and supporting technology solutions.
- Implement accountability measures around consistent practice of superior customer service.

---

**Note:** additional performance metrics to be set and incorporated at the initiative level.
Strategic Goal V: Increase Operational Efficiencies and Improve Risk Management

Overview
The Department of State Treasurer is consistently looking for ways to increase efficiencies and reduce risks. These strategies allow us to provide value to the taxpayer of North Carolina through cost savings and increased security. We have assessed and identified operational areas for efficiency gains in 2010–2012. As a result, we will be implementing new technologies, as well as improvements in personnel and project management, that will produce time and cost savings for the Department while allowing us to maintain a high level of service to the citizens of North Carolina.

Objectives
The following objectives have been established to produce operational efficiency gains and improve risk management for the North Carolina Department of State Treasurer:

1. Increase identification, measurement, control, and monitoring of risks.
2. Increase operational efficiencies through self-service capabilities and technology.
3. Increase operational efficiencies through improved processes, personnel management, and project management.
4. Reduce call center volume through self-service technologies.
5. Complete an internal audit to enable further efficiency gains and more strategic decisions.

Performance Measurement

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</table>
| 1. Increase identification, measurement, control, and monitoring of risks. | • Percent increase of management capabilities (identification, measurement, control, and monitoring) versus baseline.  
• Successful completion of action plan:  
  o Establish measurement of risks.  
  o Establish control documentation/processes.  
  o Establish monitoring documentation/processes. | • Performance monitoring (versus baseline data)  
• Action plan | • Establish and implement an enterprise risk management framework and program.  
• Seek legislative approval to convert SLGFD to receipt-supported division.  
• Conduct divisional knowledge transfer project to retain institutional memory.  
• Develop an internal audit structure.  
• Modify the escheat fund.  
• Review organizational design.  
• Review overall use of contract and temporary employees. |
| 2. Increase operational efficiencies through self-service capabilities and technology. | • Reduced time spent by service centers on inquiries due to self-service functionality.  
• Reduced cost of service and maintenance in | • Performance monitoring  
• Trend line analysis | • Invest in debt management technology.  
• Upgrade Core Banking system including Cash Management interface. |
### Strategic Goals and Measures

**Strategic Goal V: Increase Operational Efficiencies and Improve Risk Management**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Performance Measures</th>
<th>Data Collection Method</th>
<th>Initiatives to Achieve Objectives</th>
</tr>
</thead>
</table>
| 3. Increase operational efficiencies through improved processes, personnel management, and project management. | • Reduced time-to-completion for projects due to project management and workflow enhancements.  
  • Increased time savings due to centralization and personnel management. | • Performance monitoring  
  • Project tracking  
  • Manager’s observation  
  • Interviews | • Centralize communications, audit, training, and legal functions.  
  • Develop, analyze, and implement standard operating procedures.  
  • Create efficiencies in the FOD/IMD customer-service relationship.  
  • Replace ORBIT workflow system.  
  • Explore organization redesign and centralization of strategic functions and possible job reclassifications. |
| 4. Reduce call center volume through self-service technologies.            | • Reduced number of calls due to self-service technologies.  
  Source: Call Center tracking system data                                     |                                                             | • Conduct call center enhancement and infrastructure upgrade review to include member services process improvements.  
  • Educate beneficiaries on self-service features.  
  • Redesign web content to enable self-service.  
  • Enhance self-service technology in ORBIT.  
  • Educate members on self-service functionality in |
<table>
<thead>
<tr>
<th>Objective</th>
<th>Performance Measures</th>
<th>Data Collection Method</th>
<th>Initiatives to Achieve Objectives</th>
</tr>
</thead>
</table>
| 5. Complete an internal audit to enable further efficiency gains and more strategic decisions. | Successful completion of action plan regarding internal audit, analysis, and reporting. | • Action plan  
• Manager’s observation | • ORBIT.  
• Empower customers so they can optimize their experience online (web redesign and technology.)  
• Review strategic resource allocation.  
• Analyze data (example: meta data for local government, analysis and targeting within the retirement system.) |

*Note: additional performance metrics to be set and incorporated at the initiative level.*
Strategic Goal VI: Contribute to State Innovation and Economic Development

Overview
Treasurer Cowell recognizes the importance of economic development in building and maintaining a financially strong and prosperous North Carolina. In addition, the Treasurer realizes that state innovation plays a significant role in driving economic development.

Objectives
The following objectives have been established to foster innovation and economic development for the State of North Carolina:

1. Advocate for progressive economic and entrepreneurial policy.
2. Achieve successful execution of the Innovation Fund over the next 5 years.
3. Advance a culture of diversity.
4. Increase the number of community banks acting as deposit holders for the state.
5. Assist State agencies and local governments in obtaining financing to develop infrastructure needed to stimulate economic development.

Performance Measurement

<table>
<thead>
<tr>
<th>Objective</th>
<th>Performance Measures</th>
<th>Data Collection Method</th>
<th>Initiatives to Achieve Objectives</th>
</tr>
</thead>
</table>
| 1. Advocate for progressive economic and entrepreneurial policy. | Successful completion of action plan regarding advocating for progressive economic and entrepreneurial policy. | Action plan | • Complete documentation regarding policy.  
• Communicate policy benefits to audiences. |
| 2. Achieve successful execution of the Innovation Fund over the next 5 years. | Primary goal: Percentage return on investment fund. Ancillary goals:  
• Increased number of jobs added in North Carolina due to fund implementation.  
• Increased tax base in North Carolina due to fund implementation. | • Performance monitoring  
• Action plan | • Invest $230 million over 3 to 5 years.  
• Launch Life Science Accelerator Fund.  
• Launch Clean Technology fund.  
• Conduct “road shows” in key points of North Carolina for Innovation Fund. |
| 3. Advance a culture of diversity. | • Increased number of contracts awarded to HUB vendors.  
• Increased number of recommendations for diverse board and committee candidates.  
• Successful completion of action plan regarding | • Performance monitoring  
• Questionnaire  
• Action plan | • Develop a policy statement.  
• Establish metrics for success.  
• Establish a diversity committee.  
• Build relationships with, and seek advice from, |
### Strategic Goal VI: Contribute to State Innovation and Economic Development

<table>
<thead>
<tr>
<th>Objective</th>
<th>Performance Measures</th>
<th>Data Collection Method</th>
<th>Initiatives to Achieve Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>diversity initiatives.</td>
<td>Source: procurement data, participants</td>
<td>diverse leaders.</td>
</tr>
<tr>
<td>4. Increase number of community banks acting as deposit holders for the state.</td>
<td>Increased percentage of community banks acting as deposit holders for the state out of total number of community banks.</td>
<td>Performance monitoring</td>
<td>Continue to monitor number of community banks acting as deposit holders for the state.</td>
</tr>
<tr>
<td>5. Assist State agencies and local government in obtaining financing in order to develop the infrastructure needed to stimulate economic development.</td>
<td>Debt issued as needed by State and local governments to finance projects for economic development as permitted within the constraints of applicable statutes, economic development policies of the issuer and the debt capacity of issuers.</td>
<td>Performance monitoring</td>
<td>• Work with the Department of Commerce to issue industrial revenue bonds for projects that create an adequate number of jobs in the State.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Assist other State agencies with financings in order to construct the infrastructure needed for economic development in areas such as education and transportation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Assist local governments with financings to support economic development such as utility systems, streets, transportation, sidewalks, and schools.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Explore alternative methods of determining feasibility of such projects in light of current market conditions, inherent risks and cost-benefit analysis.</td>
</tr>
</tbody>
</table>

Note: additional performance metrics to be set and incorporated at the initiative level.
Strategic Goal VII: Advance Financial Literacy across North Carolina

Overview
The Department of State Treasurer is committed to helping North Carolina families increase their understanding of finances and ability to grow personal wealth. Financial literacy helps provide citizens of all ages with the information and resources to manage their finances and make important financial decisions.

Objectives
The following objectives have been established to advance financial literacy across North Carolina:

1. Adopt a national standard for financial literacy.
2. Increase the number of students receiving financial literacy education.
3. Increase teacher financial literacy education.
4. Empower state and local employment membership to make financial planning decisions for the future.
5. Increase financial literacy among North Carolina citizens.
6. Increase financial literacy among local governments and other organizations that borrow through the North Carolina Capital Facilities Finance Agency.

Performance Measurement

<table>
<thead>
<tr>
<th>Objective</th>
<th>Performance Measures</th>
<th>Data Collection Method</th>
<th>Initiatives to Achieve Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Adopt a national standard for financial literacy.</td>
<td>Successful adoption of national standard for financial literacy.</td>
<td>Interview</td>
<td>•</td>
</tr>
</tbody>
</table>
| 2. Increase number of students receiving financial literacy education. | Increased number of students that received financial literacy education over determined period. | Performance monitoring | • Establish K-12 financial literacy curriculum.  
• Incorporate financial literacy as a part of social studies curriculum.  
• Incorporate financial literacy into community college curriculum.  
• Promote student stock market game participation. |
| 3. Increase teacher financial literacy education. | • Increased number of teachers receiving financial literacy education.  
• Performance monitoring  
• Questionnaire | • Advocate for teacher financial literacy education.  
• Create or identify effective financial literacy |
<table>
<thead>
<tr>
<th>Objective</th>
<th>Performance Measures</th>
<th>Data Collection Method</th>
<th>Initiatives to Achieve Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Empower state and local employment membership to make financial planning decisions for the future.</td>
<td>• Increased qualitative scores on financial literacy education for teachers. • Increased number of members with ORBIT accounts and emails in the system. • Increased penetration rate of 401(k)/457 accounts among total population. • Increased number of members participating in auto savings accounts. • Increased number of members participating in annuity program. • Reduced fees associated with accounts.</td>
<td>Performance monitoring Source: Retirement systems tracking data</td>
<td>• Increase financial literacy among retirees. • Conduct 403b teacher savings review. • Institute annuity program for 401(k)/457 accounts.</td>
</tr>
<tr>
<td>5. Increase financial literacy among North Carolina citizens.</td>
<td>• Increased financial literacy information available to North Carolina citizens (qualitative and quantitative). • Increased number of articles appearing in media publications as a result of financial literacy activities and promotion.</td>
<td>Performance monitoring Action plan Manager’s observation</td>
<td>• Develop and release 2010-2011 Financial Literacy Guide. • Use the Department of State Treasurer to promote financial literacy to the public.</td>
</tr>
<tr>
<td>6. Increase financial literacy among local governments and other organizations that borrow through the North Carolina Capital Facilities Finance Agency.</td>
<td>• Issue memorandums and provide training to local governments and other organizations that borrow through the NCCFFA.</td>
<td>Performance monitoring Action plan Manager’s observation</td>
<td>• Conduct State Treasurer’s Conference for local governments and their auditors. • Alerts sent to local governments and other organizations as needed.</td>
</tr>
</tbody>
</table>

Note: additional performance metrics to be set and incorporated at the initiative level.
Management Goals and Measures

Overview

The measurement goals and measures included in this section are required per Executive Order 3. Management goals are included for the following areas:

- Budget and Financial
- Human Resources
- Information Technology

NOTE: Capital Infrastructure goals are not included, as they do not apply to the Department of State Treasurer.

Initiatives to Support Achievement of Management Goals

The Department of State Treasurer is implementing several initiatives to achieve the various management goals. Initiatives include:

- Leadership development
- Training and development
- Employee engagement
- Web redesign and web author programs

Performance measures have been implemented to support effectiveness and results of each initiative.

Management Goals

Budget and Financial Goals

| Goal I: | Agency financial reports are accurate and complete by the required due date at the end of every month. |
| Measure: | Timeliness of month end reporting |
| Data Source: | OSC report on closeout status |
| Methodology: | Each agency is responsible for certifying that the month end reports on transactions from appropriations and/or receipts are accurate and complete by the 10th working day of the following month (unless an alternate due date is defined by OSC.) Agencies should track the number of days past the due date on a monthly basis and establish a reasonable target based on past performance. |

| Goal II: | Agency is effectively monitoring expenditures and managing resources to ensure accounts are not overexpanded. |
| Measure: | Percent of accounts overexpanded at the end of each quarter |
| Data Source: | North Carolina Accounting System, monthly budget report (D-D-GL-BD701-CERT-REPORT) |
| Methodology: | Over-expenditures should be calculated at the end of each quarter as the difference between actual expenditures and the authorized budget (BD 307 plus all approved budget revisions) at the certified level of detail for each fund. The measure should apply to all general fund operating codes. |
### Human Resources Goals

<table>
<thead>
<tr>
<th>Goal I:</th>
<th>Agencies are targeting retention efforts to reduce voluntary turnover.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure:</td>
<td>Voluntary turnover rate</td>
</tr>
<tr>
<td>Data Source:</td>
<td>BEACON Business Intelligence (BI) Report (B0043)</td>
</tr>
<tr>
<td>Methodology:</td>
<td>The agency should use the BEACON BI Employee Turnover from State Government report to obtain data on total number of employee separations and rate of separations by agency. The report includes voluntary versus involuntary versus retirements, but agencies should only use voluntary turnover for this measure. The measure should be annualized to reflect the most recent twelve-month period. If a position is eliminated, it does not count as a separation and is not reflected in this report.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal II:</th>
<th>Agencies are effectively retraining new employees.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure:</td>
<td>Turnover rate of new employees.</td>
</tr>
<tr>
<td>Data Source:</td>
<td>BEACON Business Intelligence (BI) Report (B0090)</td>
</tr>
<tr>
<td>Methodology:</td>
<td>The agency should use the BEACON BI New Employee Turnover Rate Report to obtain data on separations of &quot;new&quot; employees (defined as 0-2 years) and is based on employee's original hire date with the State, so transfers between agencies are not counted. The measure should be annualized to reflect the most recent twelve-month period.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal III:</th>
<th>All separations are processed within 30 days, avoiding unnecessary costs to the state through incorrect payments.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure:</td>
<td>Percent of separations processed within 30 days.</td>
</tr>
<tr>
<td>Data Source:</td>
<td>BEACON Business Intelligence (BI) Report (B0098)</td>
</tr>
<tr>
<td>Methodology:</td>
<td>The agency should use the BEACON BI Time to Process Separations Report to calculate the percentage of separations processed more than 30 days retroactively. The report determines the number of days retroactive by taking the difference between the date on which the transaction was entered and the effective date of the transaction.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal IV:</th>
<th>All position pay changes are processed within 30 days, avoiding errors in employee pay and reducing unnecessary costs to the state.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure:</td>
<td>Percent of position changes processed within 30 days.</td>
</tr>
<tr>
<td>Data Source:</td>
<td>BEACON Business Intelligence (BI) Report (B0152)</td>
</tr>
<tr>
<td>Methodology:</td>
<td>The agency should use the BEACON BI Time To Process Position Changes Report to calculate the percentage of position changes processed more than 30 days retroactively. The report determines the number of days retroactive by taking the difference between the date on which the transaction was entered and the effective date of the transaction.</td>
</tr>
</tbody>
</table>

### Information Technology Goals

<table>
<thead>
<tr>
<th>Goal I:</th>
<th>Critical applications have adequate backup and have been tested successfully.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure:</td>
<td>Percent of critical applications with adequate backup. Percent of critical applications successfully tested.</td>
</tr>
<tr>
<td>Data Source:</td>
<td>Agency reported data in the Application Portfolio Management (APM) tool; agency business continuity plans; ITS operational disaster recovery test records.</td>
</tr>
<tr>
<td>Methodology:</td>
<td>The agency should analyze data reported in the APM tool to calculate the percentage of critical applications with backup and the percent that have been</td>
</tr>
</tbody>
</table>
Goal II: IT projects will be completed on time and on budget.

Measure: Variance from original baseline budget. Variance from baseline end date.

Data Source: Office of Information Technology Services (ITS) Project and Portfolio Management (PPM) Tool

Methodology: The agency should use data reported in the PPM tool to determine the cost variance for all active projects (use variance between the forecasted budget and the original baseline budget as determined after the planning and design phase.) The agency should also use data reported in the PPM tool to determine the variance from the baseline end date for all active project (use variance between the forecast end date and original baseline end date.)

The agency should establish target variances for all projects to meet (e.g. no projects exceed baseline budget by more than 10%; all projects on track for completion within 180 days of baseline end date) and report number and percentage of total projects meeting targets.
Appendix A: Glossary of Terms

**Action Plans:** Documents developed during a program and implemented on the job after the program is completed. Follow-up on action plans provides evidence of application and business impact success.

**Baseline:** The level of performance at the beginning of the planning period. Baseline data provides a starting point to develop appropriate performance targets for a measure.

**Core Values:** The principles that govern behavior within the agency.

**Goals:** Broad statements of what an agency wants to achieve over a long period of time. Goals stretch and challenge an agency, but they are realistic and achievable.

**Interviews:** Technique to determine how extensively a program is used on the job.

**Manager’s Observation:** Captures actual skill application and use and is particularly useful in customer service training.

**Mission:** A statement describing an agency’s basic purpose, identifying what the agency goes, why, and for whom. The mission statement should answer the question, “Why does the agency exist?”

**Objectives:** Clear targets for specific action. Objectives make interim steps toward achieving an agency’s long-range mission and goals. Linked directly to agency goals, objectives are measurable, time-based statements of intent. They emphasize the results of agency actions at the end of a specific time.

**Performance Measures:** Enable agencies to objectively gauge and report progress in carrying out their mission and goals. Careful performance measurement provides the information necessary to make management decisions.

**Performance Monitoring:** Technique used where various performance records and operational data are examined for improvement.

**Questionnaires:** More detailed surveys used to uncover a wide variety of data in open-ended and forced-response options.

**Trend Line:** Used to project the values of specific output variables as if the program had not been undertaken. The projection is compared to the actual data after the program is conducted with the difference representing the impact of the program.

**Vision:** A statement of what an agency can and should be in the future. The vision statement articulates a view of a realistic and creditable future for the organization and serves as the foundation for developing the strategic plan.

*Sources for Glossary Terms:*

OSBM, Planning Guidelines for North Carolina Government
Phillips, Jack J., The ROI Methodology