

SCERS

Strategic Management Plan

2023 ANNUAL REPORT



Table of Contents

Message from the Chief Executive Officer	2
Core Values	3
Strategic Framework	4
Goal 1: Customer Service and Experience	5
Goal 2: Stakeholder Communication and Outreach.....	6
Goal 3: Funding Integrity and Sustainability	7
Goal 4: Investment Planning and Growth	8
Goal 5: Organizational Development and Culture	9
Goal 6: Enterprise Capability and Technology	10
Appendix	11





Message from the Chief Executive Officer

As Chief Executive Officer, I am pleased to issue the Strategic Management Plan Annual Report on behalf of the Sacramento County Employees' Retirement System (SCERS).

The Strategic Management Plan lays out a set of initiatives that advance SCERS toward our strategic goals. The six goals of the framework guide our continuous improvement, and the following pages will highlight our progress in Customer Service and Experience, Stakeholder Communication and Outreach, Funding Integrity and Sustainability, Investment Planning and Growth, Organizational Development and Culture, and Enterprise Capability and Technology.

In 2023, we met many of our goals, with our focus remaining fixed on member responsiveness and the improvement of service-level performance.

Some of last year's accomplishments we are most proud of include:

- Greatly reducing first-payment processing time for retirees
- Filling several key vacancies in administrative, benefits, accounting, and IT roles
- Completing a joint retirement planning video and hosting four live retirement planning webinars
- Participated in 10 on-site employer events

SCERS also remains focused on maintaining a sustainable pension program for the long term. At June 30, 2023, SCERS was 86.1% funded at the fair value of assets totaling \$12.4 billion, and the total pension liability totaling \$14.4 billion.

The funded status represents the percentage of future pension benefits covered by the System's assets. In general terms, this funded ratio means that as of June 30, 2023, SCERS had approximately 86 cents available for each dollar of anticipated future liability.

For the fiscal year ended June 30, 2023, SCERS' investments generated a 6.1% net return, or \$786.9 million of net investment gain, and administrative expenses totaled \$28.2 million for the fiscal year.

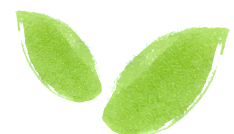
To our members, this continued growth and cost containment allow SCERS to put more of its assets to work for you while providing more efficient customer service.

As we move into a new year, we are keeping our core values at the forefront of everything we do, and as you will see in the following pages, we have a lot planned.

I look forward to working hard on behalf of our members and employers in the coming year.

Respectfully submitted,

Eric Stern
Chief Executive Officer



Core Values



We are committed to:

Stewardship

by recognizing the trust members put in us to manage assets and resources prudently, to sustain SCERS for future generations.

Communicating

clearly and concisely, recognizing that members and employers expect us to act with integrity, transparency, and honesty.

Excellence

by taking pride in our work, maintaining high expectations, and focusing on results.

Responsibility

by taking ownership of work, following through, holding ourselves accountable, and embracing ethical behavior.

Solutions

by working with urgency to help one another succeed, fostering teamwork and collaboration, and asking for help when needed.

Strategic Framework

The SCERS Strategic Management Program revolves around six goals. In this report, specific long-term objectives further define each goal that helps guide annual business planning.





Goal 1

Customer Service and Experience

Customers satisfied with timely, friendly, convenient, and accurate pension administration services.

1.1 Deliver quality member and participant service and experience

1.2 Deliver quality employer service and experience

2023 Key Accomplishments

- ✓ Moved retirement application processing time closer to targets
- ✓ Added staffing capacity to benefits team
- ✓ Reduced backlogs in terminations, service purchases, reciprocity, and disability retirement

2024 Key Initiatives

- Launch secure member portal for access to pension payment information, tax statements, address changes, and beneficiary updates
- Add secure, file-upload feature to website for transmitting documents to SCERS
- Add self-scheduling tool on website for member appointments
- Establish service-level targets for service purchase requests, death benefit processing, and other workflows





Goal 2

Stakeholder Communication and Outreach

Transparent communication among stakeholders to support clear understanding of roles and responsibilities, and the value of defined-benefit pensions.

- 2.1 Promote transparency, fairness, and compliance with laws and regulations
- 2.2 Communicate timely financial and actuarial information to stakeholders
- 2.3 Engage and educate members and employers
- 2.4 Collaborate with peer pension systems and organizations

2023 Key Accomplishments

- ✓ Produced timely Annual Statements
- ✓ Produced pension planning webinar video; expanded webinar content
- ✓ Participated in 10 on-site department events

2024 Key Initiatives

- Conduct outreach campaign to register members/retirees on MySCERS member portal
- Re-institute in-person Employer Forum
- Implement new email distribution for retiree outreach
- Launch Go Green initiative to shift regular mailings to member online portal
- Increase partnership with employers on retirement planning and financial literacy





Goal 3

Funding Integrity and Sustainability

Prudent and effective funding policies and practices that assist in producing low contribution rate volatility and plan sustainability.

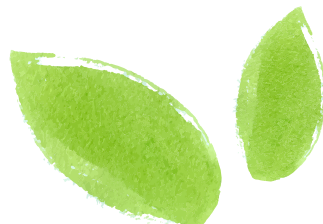
- 3.1** Promote plan sustainability and minimize funding volatility
- 3.2** Minimize administrative expenses and demonstrate fiscal stewardship
- 3.3** Promote responsible oversight to ensure accuracy and protect plan assets

2023 Key Accomplishments

- ✓ Deployed special team to accelerate court-mandated *Alameda* benefit corrections and contribution refunds
- ✓ Adopted responsible-growth operating budget for 2023-24
- ✓ Completed Experience Study and adopted new actuarial assumptions (retained 6.75% return assumption)

2024 Key Initiatives

- Complete *Alameda* benefits corrections and contribution refunds
- Participate in Sanitation District separation from the County by apportioning pension liabilities and assets
- Develop internal compliance/audit strategy
- Update procedures for disability re-evaluation process





Goal 4

Investment Planning and Growth

An investment program that meets SCERS' assumed rate of return over time and carefully manages investment risks.

- 4.1 Manage a diverse investment portfolio
- 4.2 Ensure liquidity sufficient to fund benefit payments and operations
- 4.3 Leverage external experts to maximize investment guidance and results
- 4.4 Ensure effective oversight of investment program

2023 Key Accomplishments

- ✓ Maintained responsible pacing for new investment opportunities
- ✓ Completed implementation of Portfolio Analytics and Risk Management software
- ✓ Conducted first fiduciary health check on private market investment contracts

2024 Key Initiatives

- Present new Annual Investment Operations Report
- Conduct Asset Liability Management study
- Initiate plan for ongoing fee/expense analysis





Goal 5

Organizational Development and Culture

A high-performance organizational structure and workforce that is not dependent on any one person.

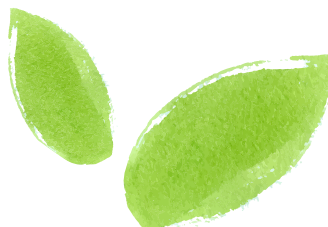
- 5.1 Organize to promote accountability and career progression
- 5.2 Strengthen workforce with the capacity and skills needed to fulfill SCERS' mission
- 5.3 Build on a supportive work environment and culture
- 5.4 Promote strong Board-Staff partnership

2023 Key Accomplishments

- ✓ Launched Telework 2.0
- ✓ Created ad hoc committee to improve investment reports to Board
- ✓ Maintained aggressive hiring pace to fill vacancies
- ✓ Deployed training and development program

2024 Key Initiatives

- Maintain hiring pace for newly budgeted positions
- Build out procedure manuals, training guides to help onboard new employees
- Engage consultant for Compensation Study for SCERS-specific civil service classes
- Maximize office space; add additional workstations to support larger staff
- Continue support for staff Social Committee events





Goal 6

Enterprise Capability and Technology

Enterprise capabilities and technology platforms that are continuously enhanced to improve performance, productivity, and efficiency.

- 6.1** Leverage technology and creative solutions to enhance enterprise performance
- 6.2** Implement continuous improvements to business processes
- 6.3** Manage strategically with performance-based decision making
- 6.4** Ensure the continuity and security of benefit payments and service delivery

2023 Key Accomplishments

- ✓ Restored and stabilized legacy systems and operations
- ✓ Implemented disaster planning tool; emergency notification alerts
- ✓ Rolled out internal IT service ticket process

2024 Key Initiatives

- Propose detailed project plan for technology investments for near- and medium-term
- Change website to scers.gov
- Participate in CEM benchmarking survey to compare SCERS to peer pension systems
- Retain consultant to engage Board and staff on new, long-term strategic plan

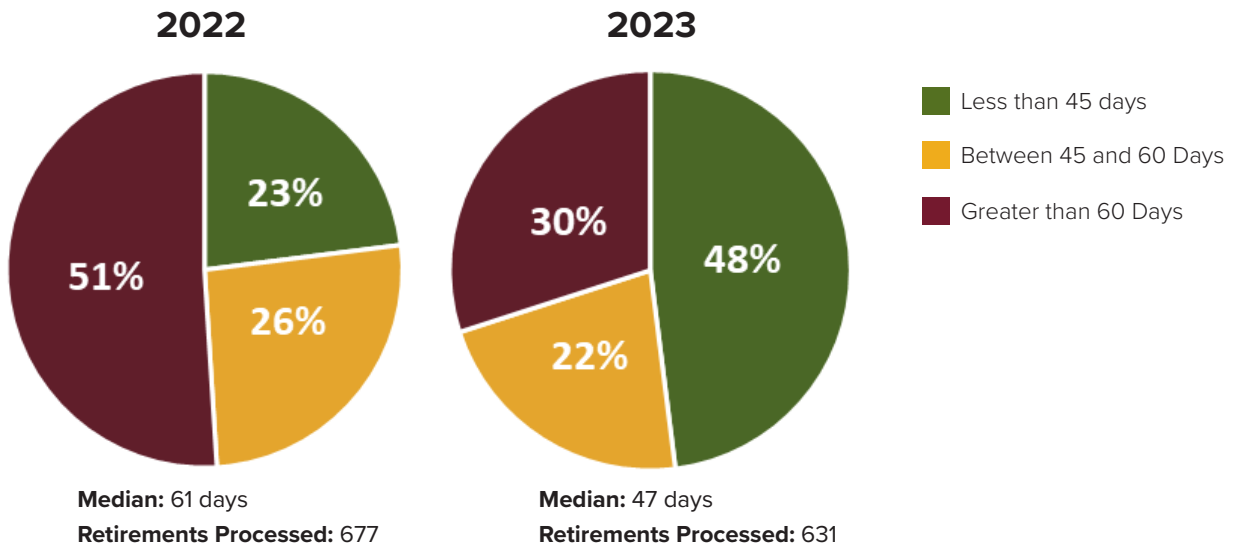




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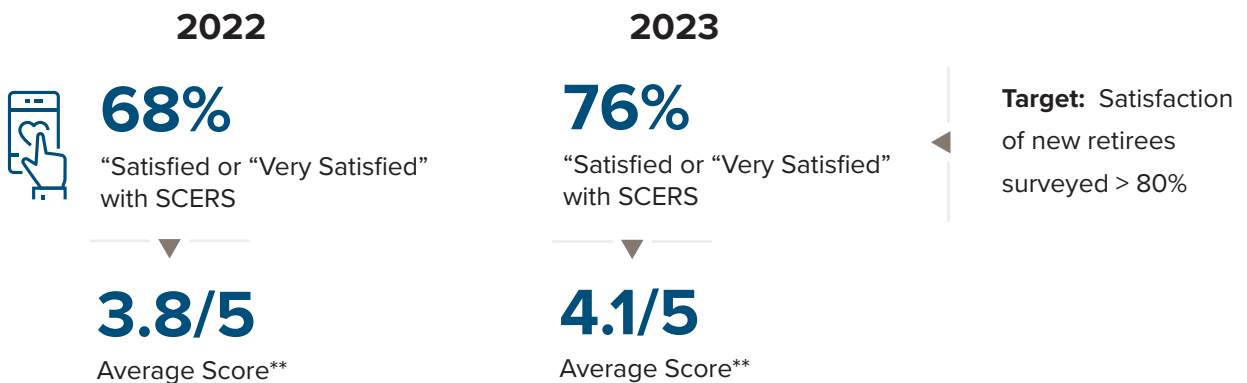
Goal 1: Customer Service and Experience

First Payment for New Retirees*



Targets: New retirees paid – >75% within 45 days, >90% within 60 days

Member Satisfaction*



* Revised methodology

** As of 12/31/2023



Appendix

Goal 2: Stakeholder Communication and Outreach

Pension Planning Webinars



97%

“Good,” “Very Good”
or “Excellent”
on Presentation
Effectiveness

4/5

Average Score*



Target: Effectiveness of presentations to active members;
Satisfaction > 80%

* Mar, Jun, Sep, and Dec 2023 pension planning webinars

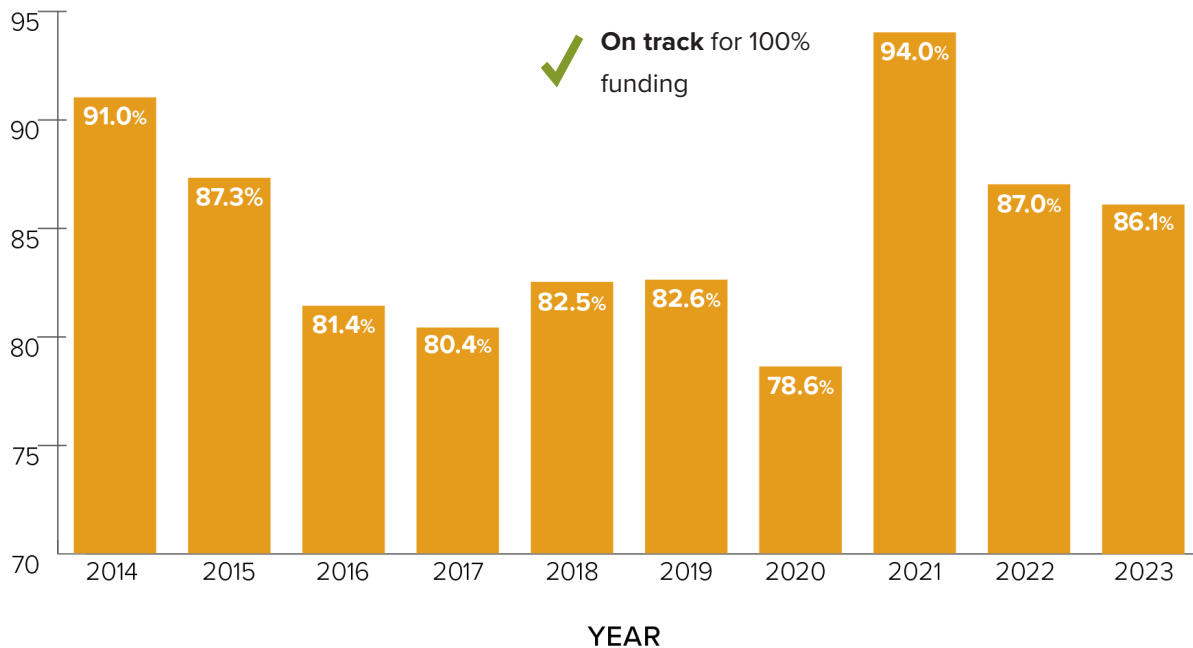


Appendix

Goal 3: Funding Integrity and Sustainability

Funded Status

Funding Ratio (2014-2023 – Ended June 30)



Target: 100% funded

Budget Status

2%

Increase for
2023-24



Target: Maintain operational budget
at or below inflationary growth
(excluding IT project)

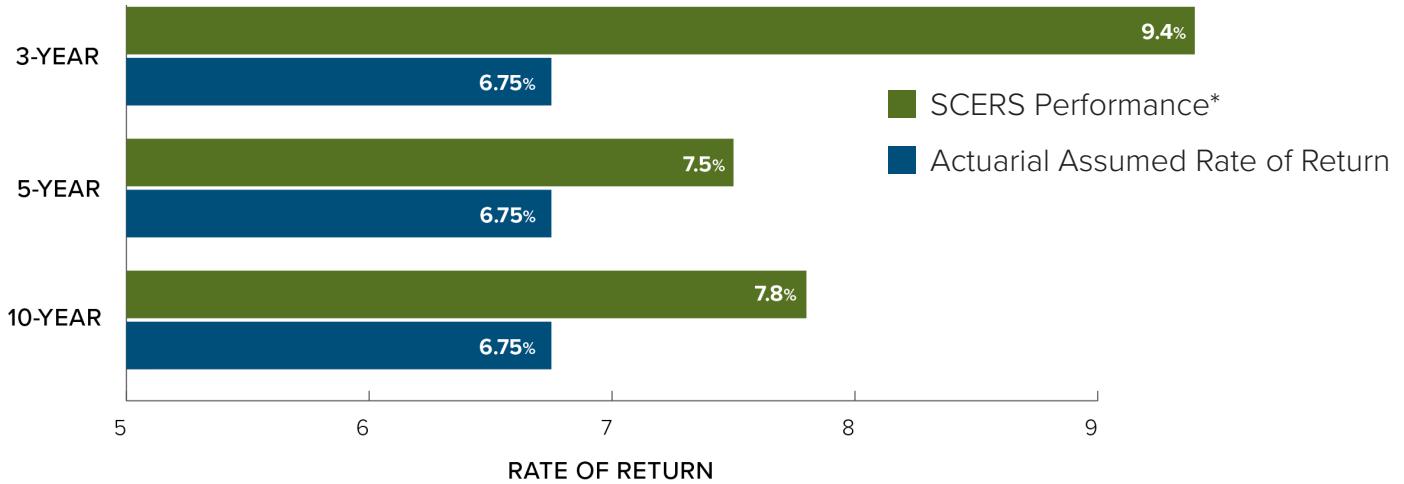


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Goal 4: Investment Planning and Growth

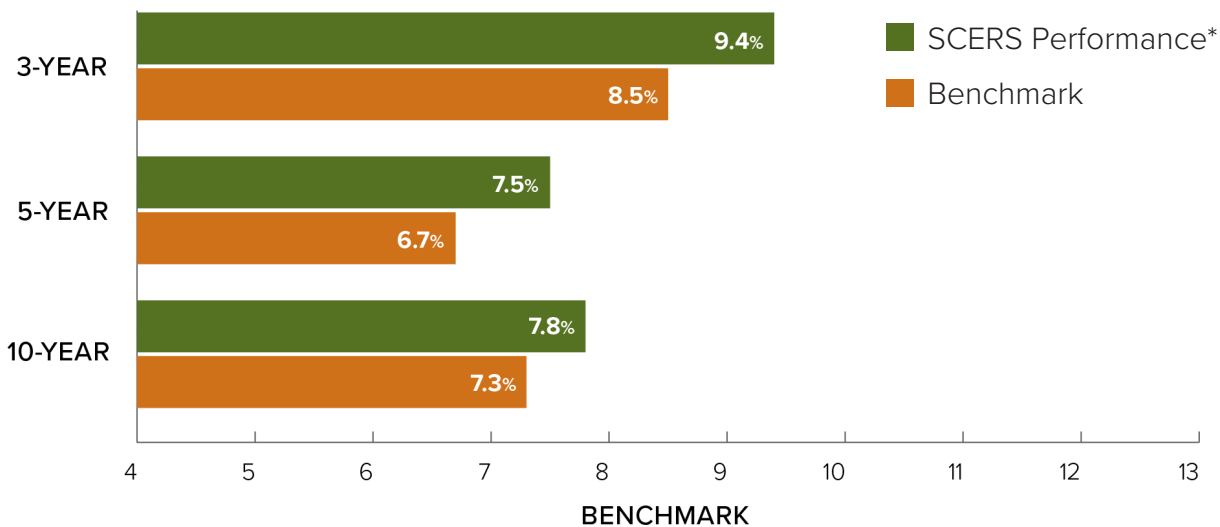
Rate of Return (Over 3-, 5-, 10-year periods)

Target: Meet or exceed actuarial assumed rate of return over 3-, 5-, and 10-year periods



Benchmarks (Over 3-, 5-, 10-year periods)

Target: Meet or exceed benchmarks over 3-, 5-, and 10-year periods



* As of 6/30/2023

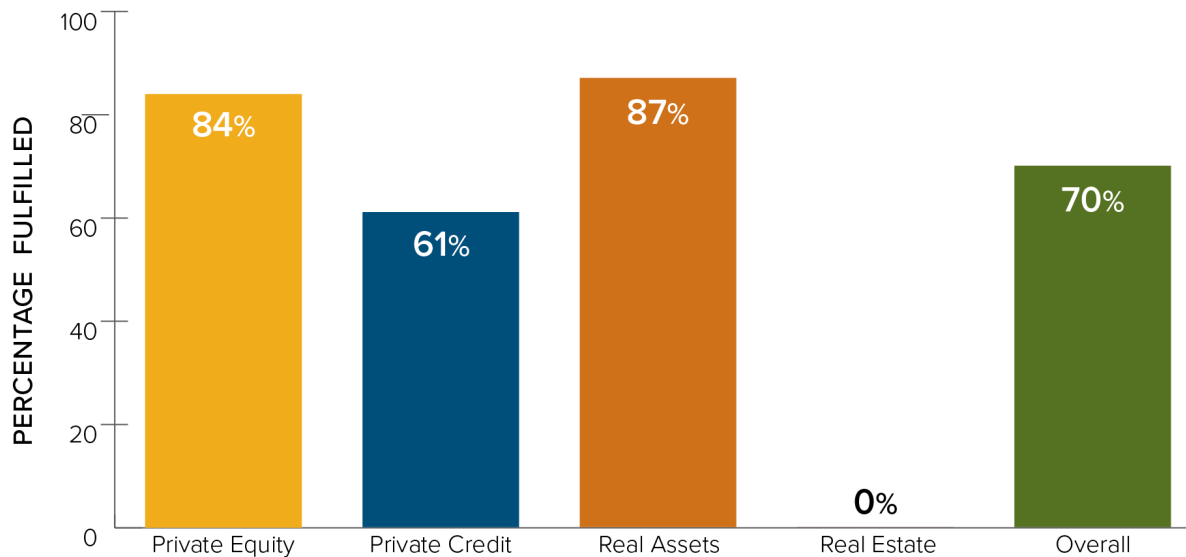
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Goal 4: Investment Planning and Growth

Investment Plan Fulfillment

Target: Maintain responsible pacing of new investment commitments in line with Investment Annual Plan



Rankings

Target: Rank in the top half of a competitive, after-fee peer universe over 3-, 5-, and 10-year periods



InvMetrics Public DB > \$1B Gross Median



Appendix

Goal 5: Organizational Development and Culture

 **21.4%**
Average Staff
Vacancy Rate*

Target: Staff vacancy rate < 10%

 **89%**
Employee
Satisfaction

Target: Overall satisfaction of employees surveyed > 80%
(October 2023 survey)

 **6**
Board Education
Sessions

Target: Conduct at least one Board educational
presentation a quarter to improve effective oversight

* Through 12/31/2023