Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 7

MEETING DATE: February 15, 2023

SUBJECT: Strategic Management Plan Annual Report

SUBMITTED FOR: _X_ Consent   ___ Deliberation and Action   ___ Receive and File

RECOMMENDATION

Receive and file the Strategic Management Plan Annual Report.

PURPOSE

This item informs the Board on progress with implementation of the Strategic Management Plan.

DISCUSSION

SCERS established the Strategic Management Program to measure and guide progress in achieving continuous improvement. The program is organized around six areas (goals):

- Customer Service and Experience
- Stakeholder Communication and Outreach
- Funding Integrity and Sustainability
- Investment Planning and Growth
- Organizational Development and Culture
- Enterprise Capability and Technology

On a quarterly basis, the Board is provided a performance update on activities and progress toward meeting objectives and targets within those goals. This annual report reflects a one-year review of 2022 performance.

ATTACHMENT
- Board Order
- Strategic Management Plan Annual Report

Prepared by:

/S/

_____
Eric Stern
Chief Executive Officer

Before the Board of Retirement
February 15, 2023

AGENDA ITEM:

Strategic Management Plan Annual Report

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the Strategic Management Plan Annual Report.

I HEREBY CERTIFY that the above order was passed and adopted on February 15, 2023 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES
(Present but not voting):

_____
Keith DeVore
Board President

_____
Eric Stern
Chief Executive Officer and
Board Secretary

SCERS

Strategic Management Plan

2022 ANNUAL REPORT

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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 2022, we met our Customer Service and Experience goals by stabilizing retirement application processing month-over-month, improving new-retiree satisfaction scores year-over-year, modernizing forms, facilitating electronic signatures, filling key vacancies in customer service areas, and setting additional communication touch-points for staff to contact applicants.

We met our Stakeholder Communication and Outreach goals by completing a series of nine educational videos, launching a LinkedIn page, hosting four pension planning webinars with increasingly positive member feedback, and publishing four quarterly newsletters.

In the area of Funding Integrity and Sustainability, goals were met by adopting a responsible-growth operating budget, completing an actuarial audit, and finishing the 2021-22 Fiscal Year with a strong 87.1% funded status.

We met our Investment Planning and Growth goals by maintaining responsible pacing of new investment opportunities in public and private markets, and adopting a new Portfolio Analytics and Risk Management platform.

We met our goals in Organizational Development and Culture by recruiting and filling key positions, retaining a training consultant, updating office technology, and onboarding new Board trustees.

Enterprise Capability and Technology goals focus on the replacement of our Pension Administration System (PAS) software, which is a multi-year project that will deliver significant gains for both members and staff in efficiency through automation and user-end convenience. We have made considerable headway in the project.

As we move into a new year, we are keeping our core values at the forefront of everything we do. Such values as stewardship, communicating excellence, responsibility, and solutions, are key components in providing our members with excellent customer service, cutting-edge technology, and financial security in retirement.

We are committed to improve in every area to provide members with the best retirement service possible. I look forward to working hard on behalf of our members and employers in the coming year.

Respectfully submitted,

Eric Stern
Chief Executive Officer
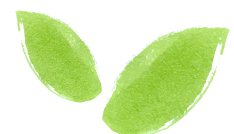
Core Values

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

Goal 6
Enterprise Capability
and Technology

Goal 2
Stakeholder Communication
and Outreach

Goal 5
Organizational
Development and
Culture

Goal 3
Funding Integrity
and Sustainability

Goal 4
Investment Planning and Growth

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

2022 Key Accomplishments

✓ Stabilized retirement application processing month-over-month

✓ Set communication touch-points for staff to contact applicants at regular intervals

✓ Filled key vacancies in customer service areas

✓ Modernized forms and facilitated electronic signatures

2023 Key Initiatives

☐ Move retirement application processing time closer to targets

☐ Roll out on-line tools for members (member portal services, online retirement applications)

☐ Track and report service-levels in other key areas, such as death benefits, disability, service purchases

White Board: Future Projects

▶ Build modern "call center," with virtual and live-chat options

▶ 30-day turnaround is the long-range target for first retirement payment

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

2022 Key Accomplishments

✓ Closed out series of 9 educational videos

✓ Hosted 4 pension planning webinars

✓ Improved timely delivery of Annual Statements from prior year; produced tutorial video on how to read Annual Statement

✓ Published 4 quarterly newsletters

✓ Hired new design vendor for annual financial and investment reports; redesigned Popular Annual Financial Report (PAFR)

✓ Communicated and facilitated Board elections

2023 Key Initiatives

☐ Conduct outreach campaign to register members/retirees on MySCERS member portal

☐ Re-institute Employer Forum

☐ Produce pension planning webinar video

White Board: Future Projects

▶ Develop traveling retirement planning/info sessions to department worksites

▶ Expand retirement planning webinars for early- and mid-career employees

▶ Increase partnership with employers on retirement planning, financial literacy
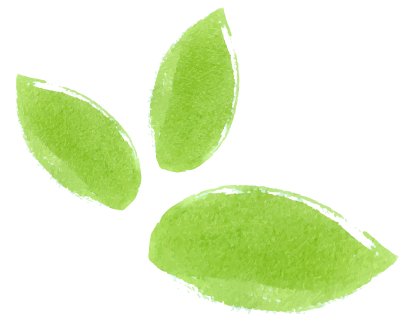
Goal 3

Funding Integrity and Sustainability

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

3.1 Minimize funding volatility

3.2 Promote plan sustainability

3.3 Minimize administrative expenses and demonstrate fiscal stewardship

3.4 Promote responsible oversight to ensure accuracy and protect plan assets

2022 Key Accomplishments

✓ Completed actuarial audit; found liabilities and costs "reasonably accurate"

✓ Conducted Felony Forfeiture actions

✓ Finalized data set for Alameda benefit corrections and began processing refunds and pension adjustments

2023 Key Initiatives

☐ Complete court-mandated Alameda benefit corrections and contribution refunds

☐ Monitor and help facilitate Sanitation Districts separation from County by apportioning pension liabilities and assets

☐ Conduct triennial experience study, review assumptions

White Board:
Future Projects

▶ Develop plans for internal compliance/audit effort to improve oversight of policies and procedures

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

2022 Key Accomplishments

✓ Adopted 2022 Annual Investment Plan and maintained responsible pacing of new investment opportunities

✓ Approved two new Fixed Income managers

✓ Approved two new Global Equity managers

✓ Updated Investment Policy Statements

✓ Extended Verus and Townsend consultant contracts

✓ Updated Cash Management Policy and conducted liquidity study

✓ Engaged Burgiss to provide new Portfolio Analytics and Risk Management platform

2023 Key Initiatives

☐ Review updated capital market assumptions and evaluate modifications to asset allocation

☐ Complete integration of new portfolio analytics software

☐ Conduct fiduciary "health check" of investment contracts

White Board:
Future Projects

▶ Initiate plan for ongoing fee/expense analysis

▶ Develop pathway for co-investment and secondary investment structure

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

2022 Key Accomplishments

✓ Recruited and filled key positions, supplemented with temps

✓ Retained training consultant, rolled out new curriculum and procedures

✓ Initiated development planning for each classification, retained new service provider for "soft-skill" training

✓ Provided all-staff training and workshops in key areas, such as customer service

✓ Re-instituted Social Committee, held first Annual Staff Picnic, other events

2023 Key Initiatives

☐ Launch Telework 2.0

☐ Roll out new performance evaluation module

☐ Deploy training and development plans

☐ Hold more regular all-staff training sessions, team building activities

☐ Engage Board to evaluate and update investment-related reports, agenda items, and communications

White Board: Future Projects

▶ Initiate class study on Benefit Specialist job series

Goal 6

Enterprise Capability and Technology

Enterprise cross-functional capabilities and technology platforms, 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 of benefit payments and service delivery

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2022 Key Accomplishments

✓ Assessed state of Pension Administration System (PAS) project, renegotiated contract terms, and revised plan

✓ Resumed on-site support and training from PAS vendor

✓ Mapped new and interim business processes and redeployed staff across business units

✓ Leveraged resources from project-management provider to supplement staff

✓ Leveraged resources from DTech to enhance project oversight

✓ Evaluated disaster backup systems for retiree payroll

2023 Key Initiatives

☐ Complete PAS project, transition new payroll processes between SCERS and other County departments

☐ Retain "Lean" business consultant to further streamline processes

☐ Implement new staffing structure for IT

White Board: Future Projects

▶ Retain Strategic Planning consultant to engage Board and staff on new long-term plan

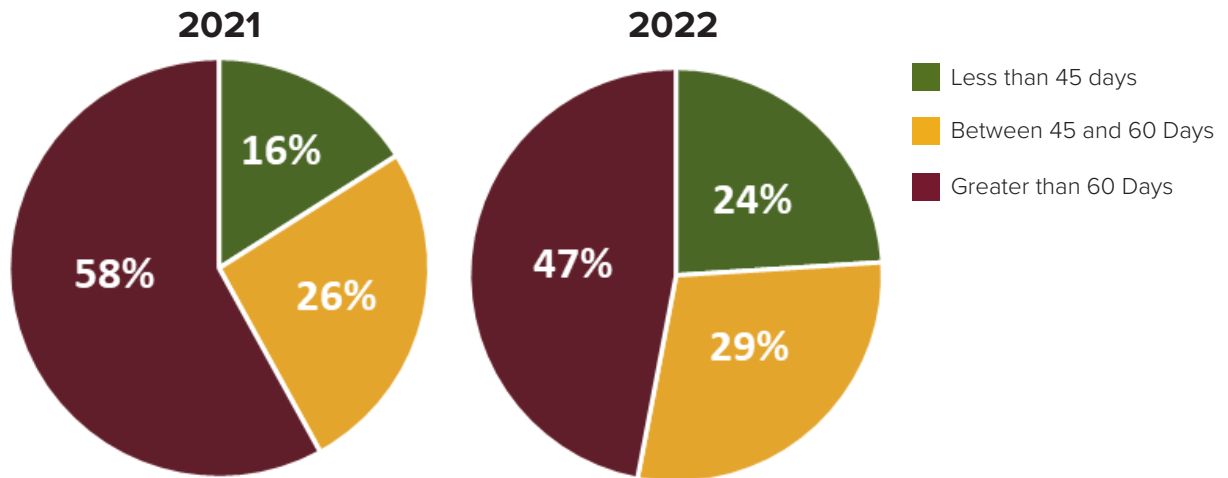▶ Maintain "continuous improvement" mindset for enhancing technology and improving business processes

Appendix

Goal 1: Customer Service and Experience

First Payment for New Retirees

2021

16%
26%
58%

2022

24%
29%
47%

■ Less than 45 days
■ Between 45 and 60 Days
■ Greater than 60 Days

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

76%
"Satisfied" or
"Very Satisfied"
with SCERS

3.8/5
Average Score*

* As of 12/31/2022

Appendix

Goal 2: Stakeholder Communication and Outreach

Pension Planning Webinars

99%
"Good," "Very Good"
or "Excellent"
on Presentation
Effectiveness

4.2/5
Average Score**
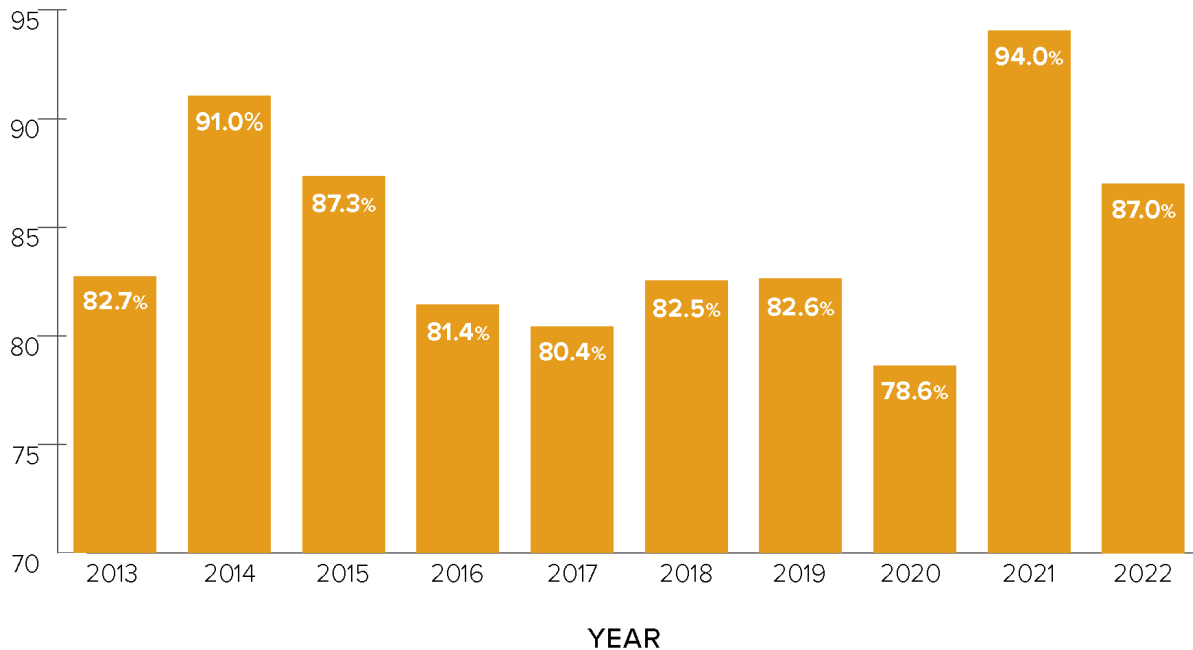
** Aug, Oct and Dec 2022 pension planning webinars

🏛 **Appendix**

Goal 3: Funding Integrity and Sustainability

Funded Status

Funding Ratio (2013–2022 — Ended June 30)

✓ **On track** for 100% funding

Bar chart — Funding Ratio by year:
- 2013: 82.7%
- 2014: 91.0%
- 2015: 87.3%
- 2016: 81.4%
- 2017: 80.4%
- 2018: 82.5%
- 2019: 82.6%
- 2020: 78.6%
- 2021: 94.0%
- 2022: 87.0%

YEAR

Target: 100% funded

Budget Status

9%

Increase for 2022-23

◄ **Target:** Maintain operational budget at or below inflationary growth (excluding IT project).
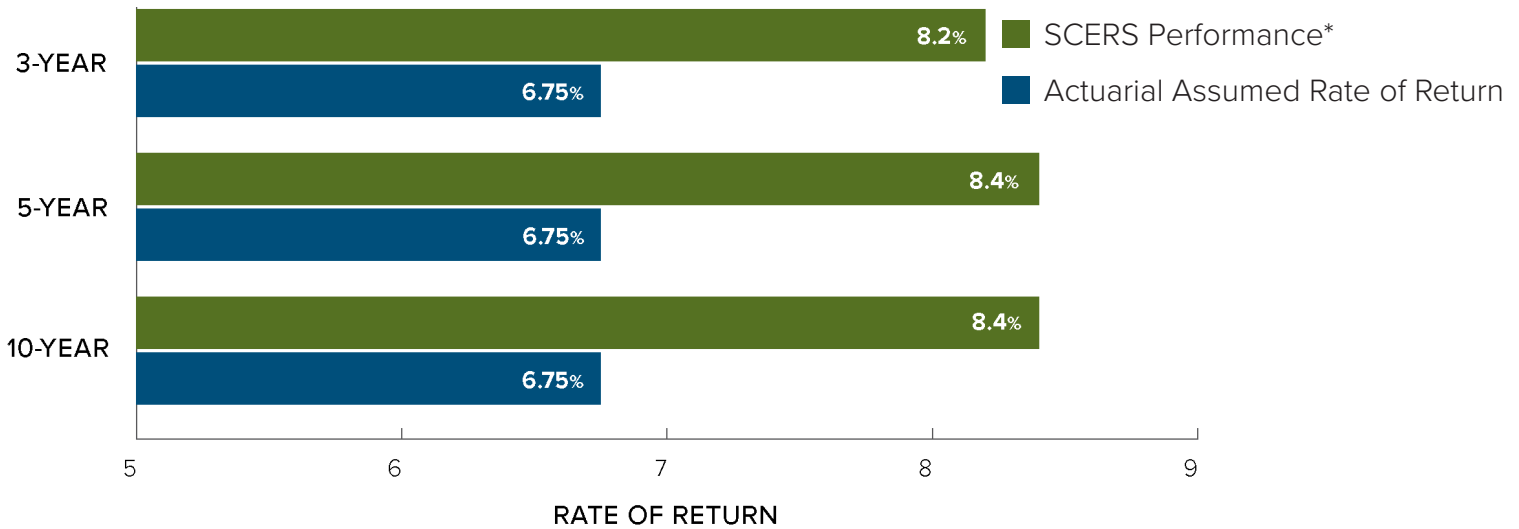
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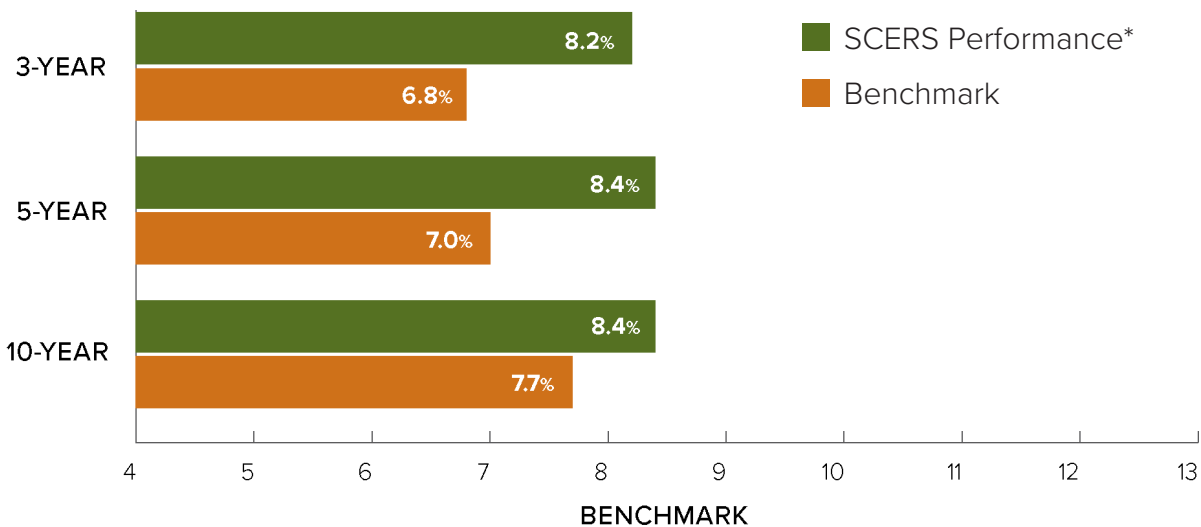## **Goal 4:** Investment Planning and Growth

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.

■ SCERS Performance*
■ Actuarial Assumed Rate of Return

Period	SCERS Performance*	Actuarial Assumed Rate of Return
3-YEAR	8.2%	6.75%
5-YEAR	8.4%	6.75%
10-YEAR	8.4%	6.75%

RATE OF RETURN

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

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

■ SCERS Performance*
■ Benchmark

Period	SCERS Performance*	Benchmark
3-YEAR	8.2%	6.8%
5-YEAR	8.4%	7.0%
10-YEAR	8.4%	7.7%

BENCHMARK
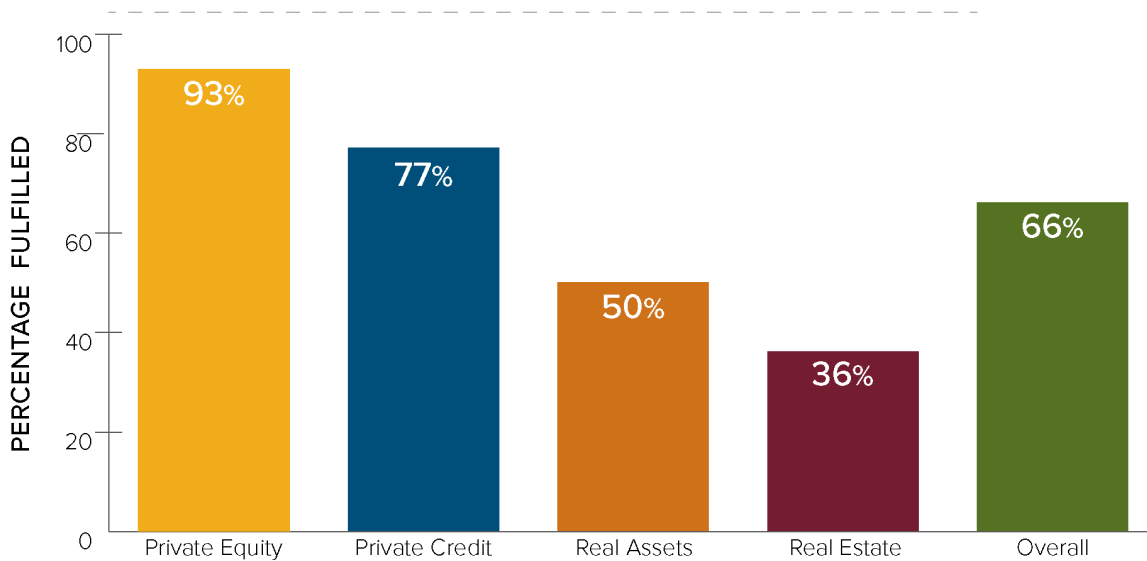
* As of 6/30/2022

Continued >

Appendix

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.

3-YEAR	5-YEAR	10-YEAR
Top 23rd	**Top 15th**	**Top 35th**
percentile	percentile	percentile

InvMetrics Public DB > $1B Gross Median.

*As of 12/31/2022

Appendix

Goal 5: Organizational Development and Culture

26.7%
Average Staff
Vacancy Rate*

◀ **Target:** Staff vacancy rate < 10%.

80%
Employee
Satisfaction

◀ **Target:** Overall satisfaction of employees surveyed > 80%. (October 2022 survey)

5
Board Education
Sessions

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

* Through 12/31/2022

Appendix

Goal 6: Enterprise Capability and Technology

Legacy Systems Replacement

Schedule extended to late 2023

Target: Legacy systems replaced by end of 2023 within budget

* Through 12/31/2022