



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 17

MEETING DATE: July 17, 2019

SUBJECT: Strategic Management Program

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

RECOMMENDATION

Staff recommends the Board receive and file the SCERS Strategic Management Program Annual Report for 2019, and approve implementation of the plan for 2019-20.

PURPOSE

The SCERS Strategic Management Program Annual Report for 2019 presents the key accomplishments for the fiscal year ending June 30, 2019 and describes key initiatives for the next fiscal year.

DISCUSSION

At the July meeting, the SCERS Board approved implementation of a new Strategic Management Program that includes an annual planning process for continuing the progress started with the SCERS Strategic Plan 2014-2018. The Strategic Management Program improves the maturity of SCERS' strategic management capabilities with the introduction of improved processes for ownership of goals, objectives, implementation actions, performance tracking/measurement, and integrated risk management.

The Strategic Management Program has proven to be beneficial over the last fiscal year. In the coming year, the management team will continue to implement additional performance measures. The goals and objectives of the plan have been refined based on experience and are now better suited for evaluating multi-year results and supporting continuous improvement within each strategic goal.

ATTACHMENTS

- Strategic Management Program Annual Report for 2019
- Strategic Management Program Presentation

Prepared by:

Reviewed by:

/S/

/S/

Stephen Hawley
Chief Strategy Officer

Eric Stern
Chief Executive Officer

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

STRATEGIC

MANAGEMENT

ANNUAL REPORT

July 2019



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Introduction

The 2019-20 Strategic Management Plan lays out a set of initiatives that advance us toward our strategic goals. This is our second annual Strategic Management Plan and coincides with a pivotal time in our multi-year IT Modernization program. In the coming year, we will begin to benefit from new technical platforms in the areas of benefits administration, investment accounting, and internet websites for use by the public, SCERS participants, and our staff.

Key Accomplishments from 2018-19 Strategic Management Plan

1. Integrated strategic planning into our daily management activities
2. Initiated data-driven performance management across the enterprise leading to significant reduction in retirement application processing time
3. Re-started publication of a periodic SCERS newsletter
4. Adjusted asset category exposures and finalized Investment Policy Statements (IPSS)
5. Updated 14 key policies strengthening our governance structure and improving compliance to laws and regulations
6. Made organization improvements resulting in a lower vacancy rate and reduced overtime

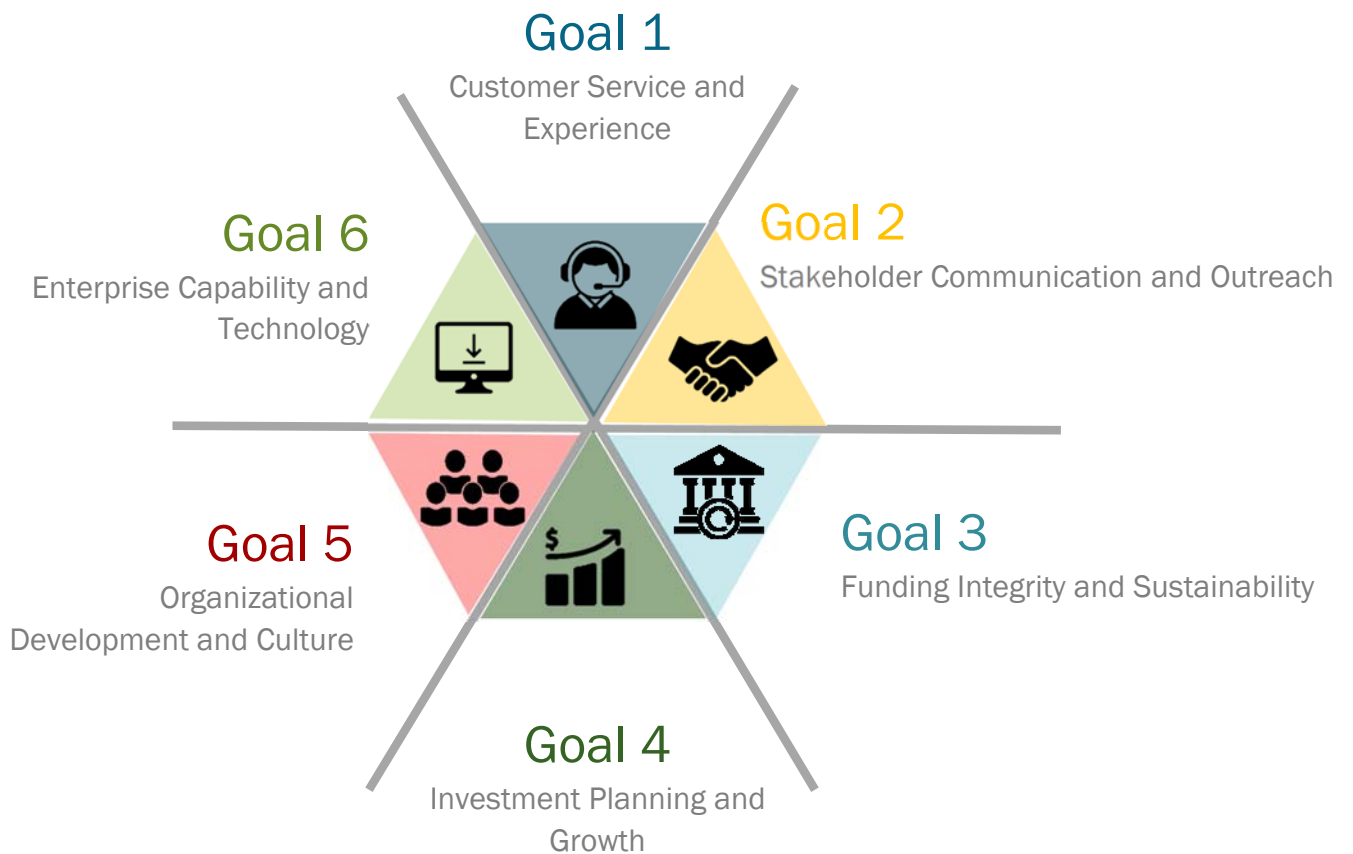
Refer to the Appendix for performance metrics on these accomplishments.

Key Initiatives for 2019-20

1. Initiate a member engagement program
2. Restructure employer services to improve engagement and governance
3. Implement paperless processes for benefits applications
4. Review actuarial assumptions based on experience
5. Expand use of performance metrics and implement a web-based performance dashboard
6. Review and improve cash management policies and practices

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 the annual management planning process.





Goal 1: Customer Service and Experience

Enhance the services provided to all SCERS' customers to improve efficiency, effectiveness, and accountability.

- 1.1: Deliver quality member and participant service and experience
 - 1.2: Deliver quality employer service and experience
-

2018-19 Key Accomplishments

- ✓ Significantly reduced retirement application processing times relative to prior year
- ✓ Simplified retirement application package
- ✓ Simplified direct deposit form, conducted outreach program, and increased direct deposit participation

2019-20 Key Initiatives

- Develop and initiate a customer satisfaction survey
- Evaluate business case for satellite office/ customer service center
- Develop an employer handbook
- Develop disability retirement guide



Goal 2: Stakeholder Communication and Outreach

Maintain transparent communication among stakeholders and promote understanding of roles and responsibilities.

- 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
-

2018-19 Key Accomplishments

- ✓ Implemented Policy Management program and reviewed/refreshed 14 key Board policies
- ✓ Initiated publication of agenda and materials on SCERS.org website in advance of Board meetings
- ✓ Initiated regular publication of member newsletter
- ✓ Conducted employer forum to become annual event and visited all special district employers

2019-20 Key Initiatives

- Develop and initiate a member engagement program
- Establish a knowledge repository for governance documents
- Complete review/refresh of Board policies
- Actively participate in industry groups



Goal 3: Funding Integrity and Sustainability

Maintain 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
-

2018-19 Key Accomplishments

- ✓ Implemented funding agreement with Sacramento Metropolitan Fire District
- ✓ Analyzed contribution rate volatility and funding sensitivity
- ✓ Re-baselined operating budget

2019-20 Key Initiatives

- Perform triennial analysis of actuarial assumptions
- Review withdrawn employer liabilities
- Develop employer compliance program to be implemented in FY 2020-21



Goal 4: Investment Planning and Growth

Maintain an investment program that targets performance that meets SCERS' assumed rate of return over time and which mitigates and carefully manages investment risks, including market volatility.

- 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
-

2018-19 Key Accomplishments

- ✓ Adjusted market exposures of asset categories to align with the strategic asset allocation
- ✓ Finalized IPSs by asset category
- ✓ Engaged manager for 130/30 strategy
- ✓ Conducted liquidity analysis and approved 1% cash allocation

2019-20 Key Initiatives

- Evaluate currency exposure and hedging strategies
- Develop and implement co-investment and secondary-sales protocols
- Develop and implement a cash management policy
- Evaluate needs for additional investment resources and systems to more effectively oversee, monitor, and administer SCERS' assets



Goal 5: Organizational Development and Culture

Maintain a high-performance organizational structure and workforce.

- 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

2018-19 Key Accomplishments

- ✓ Hired key positions and reduced vacancies
 - General Counsel
 - Chief Benefits Officer
 - Deputy Chief Investment Officer
 - Senior Accounting Manager
 - Communication/ Media Officer II
 - Human Resource Analyst
- ✓ Significantly reduced overtime
- ✓ Secured Board of Supervisors approval of SCERS executive pay plan

2019-20 Key Initiatives

- Develop improved Benefits career paths; conduct classification study
- Create Sr. Investment Officer classification
- Develop standardized training plans and conduct training
- Implement measures of employee job satisfaction



Goal 6: Enterprise Capability and Technology

Maintain and enhance enterprise cross-functional capabilities. Continuously refresh SCERS technology platforms 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

2018-19 Key Accomplishments

- ✓ Developed and implemented Strategic Management Program with integrated Performance Management and Risk Management
- ✓ Completed Ariel Fit-Gap Phase with 97% fit
- ✓ Restructured Ariel implementation from “big bang” to phased approach and delivered Phase 1 customer service system
- ✓ Delivered modernized SCERS.org website
- ✓ Completed Investment Accounting System business case analysis, issued RFP, and selected private market services vendor

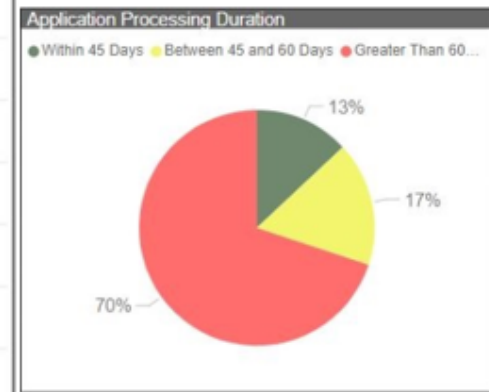
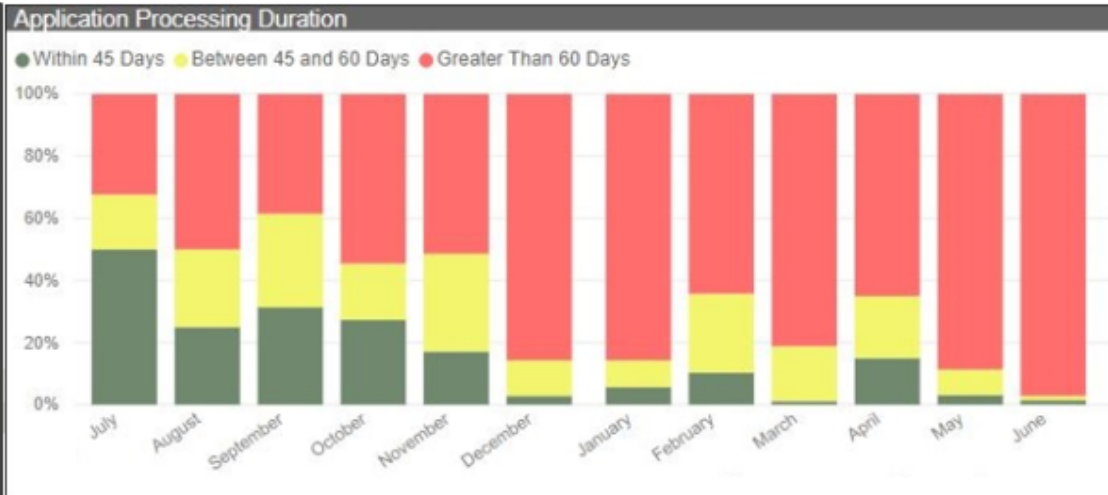
2019-20 Key Initiatives

- Establish paperless benefits processing to improve privacy, security, and business continuity for membership data
- Incorporate electronic signatures into key forms
- Establish SCERS intranet as primary knowledge repository
- Expand performance measures and develop SCERS performance dashboard
- Develop, implement, and test Business Continuity/Disaster Recovery Plan

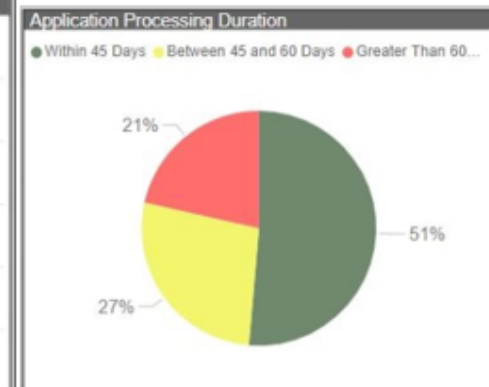
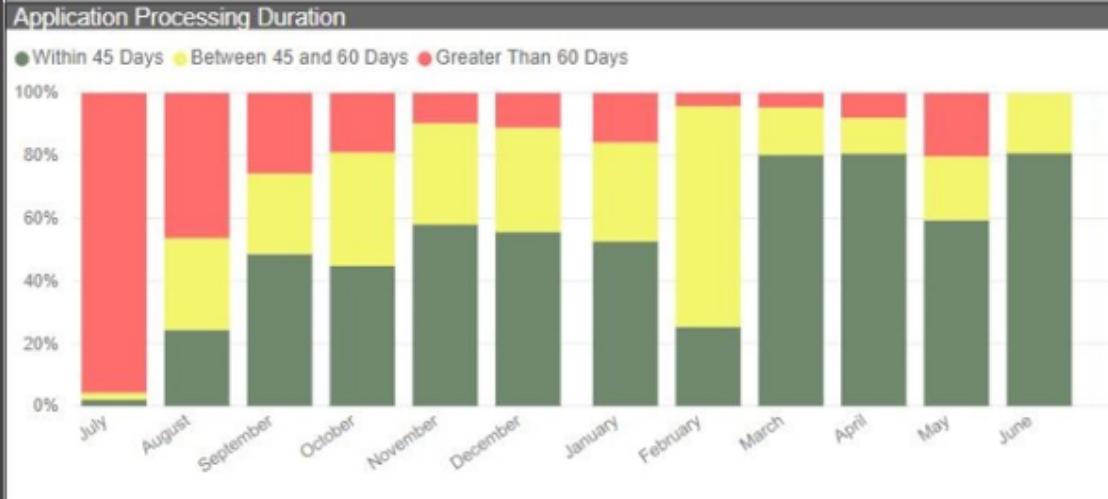
Appendix

Service Retirements Completed

FY 2017-18

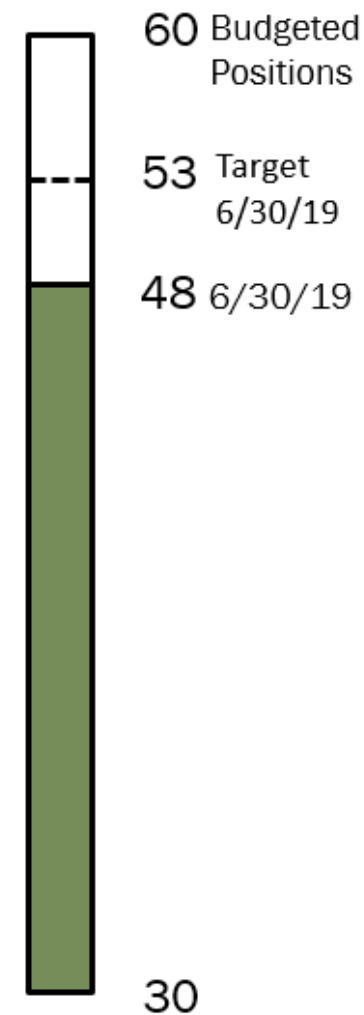


FY 2018-19

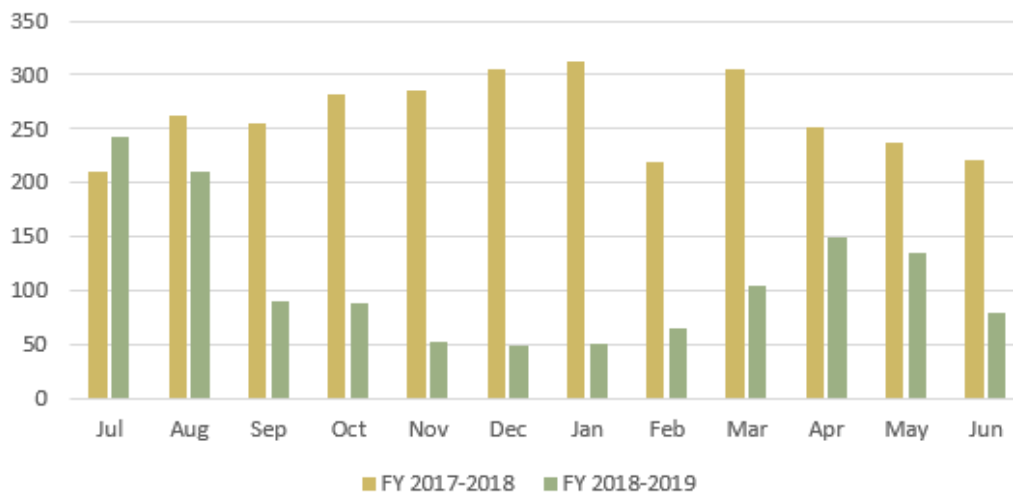


Organizational Development Dashboard

As Of	Employees	Vacancy Rate
6/30/18	45	25%
9/30/18	47	22%
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SCERS Overtime Hours by Month



Strategic Management Program

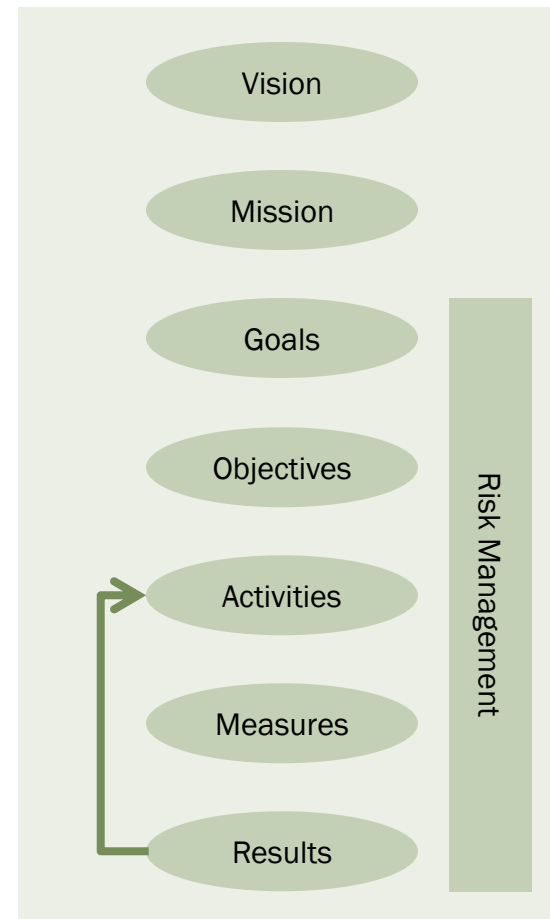
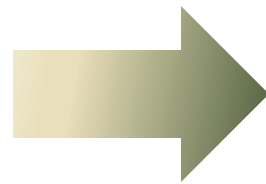
FY 2018-19 Year in Review & FY 2019-20 Plan



Transitioning to Continuous Improvement Model



Strategic Plan 2014-2018



Strategic Management Program



Strategic Management Maturity Model FY 2017-2018

	Level 1: Ad hoc & Static	Level 2: Reactive	Level 3: Structured & Proactive	Level 4: Managed & Focused	Level 5: Continuous Improvement
Leadership	Leaders dictate / command & control; otherwise disengaged	Leaders dictate but gather feedback sporadically	Leaders engage with direct reports only, but do model desired behaviors and values	Leaders empower many employees through on going engagement	Leaders & employees fully engage in a continuous dialog based on a team-based culture
Culture & Values	Vision & values undefined or not shared	Vision & Values published, but not lived	Vision & Values communicated & understood	Vision & Values collaboratively developed	Vision & Values fully integrated into organization culture
Strategic Thinking & Planning	No strategic planning occurs within the organization; no goals defined	Strategic planning is the responsibility of a small team and dictated to the organization	A structured and open planning process involves people throughout the organization every couple of years	Plans are developed and revised regularly by trained, cross-functional planning teams	Strategy drives critical organizational decisions and a continuous improvement planning process is maintained
Alignment	Work is narrowly focused based on organization structure, with little customer input	Customer needs and feedback start to influence more aligned decision making	Employees know their customer and align strategy to those needs	Vision, Customer Needs, Strategy, and employee reward and recognition systems are cascaded and aligned	All structures and systems are aligned with strategy, and organizational alignment is continuously improved
Performance Measurement	No data, or only ad hoc performance measures are collected	Performance data collected routinely, but are mostly operationally focused	Strategic performance measures are collected, covering most strategic objectives	Strategic measures are broadly used to improve focus & performance and inform budget decisions	Measurements comprehensively used and routinely revised based on continuous improvement.
Performance Management	No emphasis on using performance as a criterion to manage the organization	Performance reviews required but not taken seriously; no accountability for performance exists	Measures are assigned owners and performance is managed at the organizational and employee level	Measurement owners are held accountable and performance is managed at all levels	Organizational culture is measurement and accountability focused; decisions are evidence-based.
Process Improvement	Processes are undocumented and ad hoc with evident duplication and delays	A few key processes documented, and process improvement models (TQM, Lean Six Sigma, etc.) introduced	All key processes are identified and documented, and strategy guides successful process improvement initiative and improvements	All key processes are tracked and improved on a continuous basis and new process improvement ideas are accepted	Employees are empowered and trained, and a formal process exists for improving process management
Sustainability	Lack of structure and champions lead to short-term focus on tasks	Strategy "champions" identified	Formal organization structure in place to maintain focus on strategy	Organization has an "Office of Strategy Management" or equivalent.	Strategic thinking and management are embedded in the culture of the organization

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Strategic Framework



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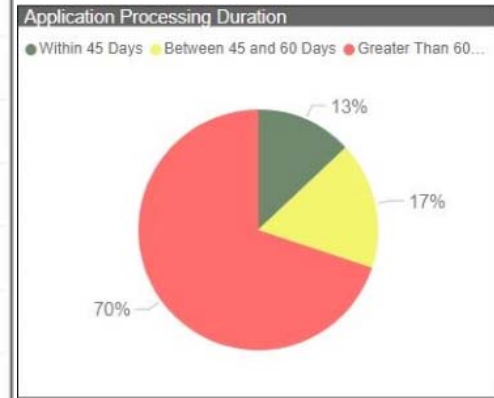
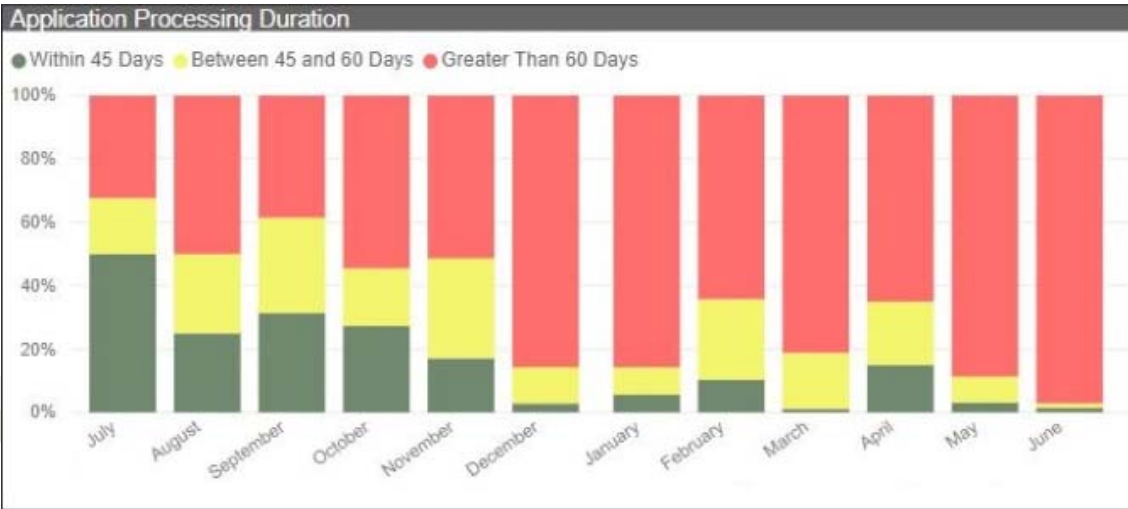
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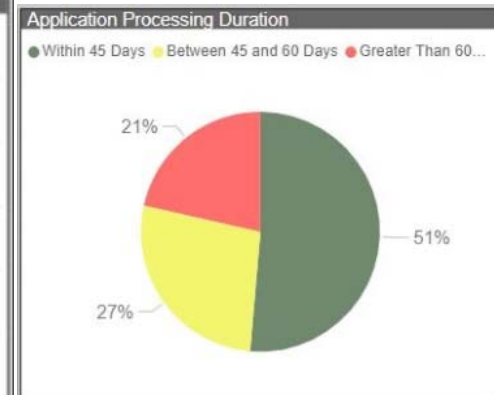
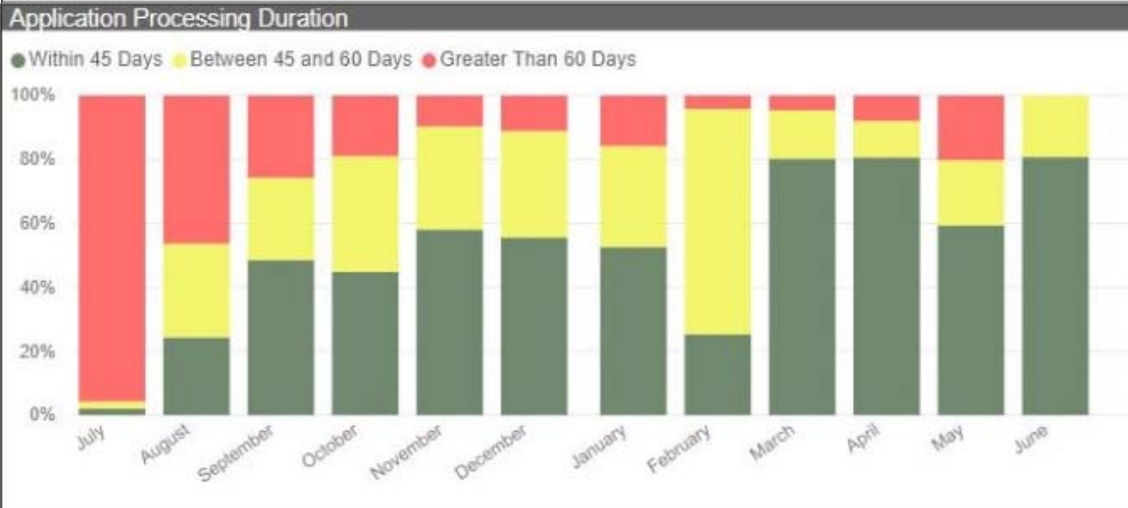


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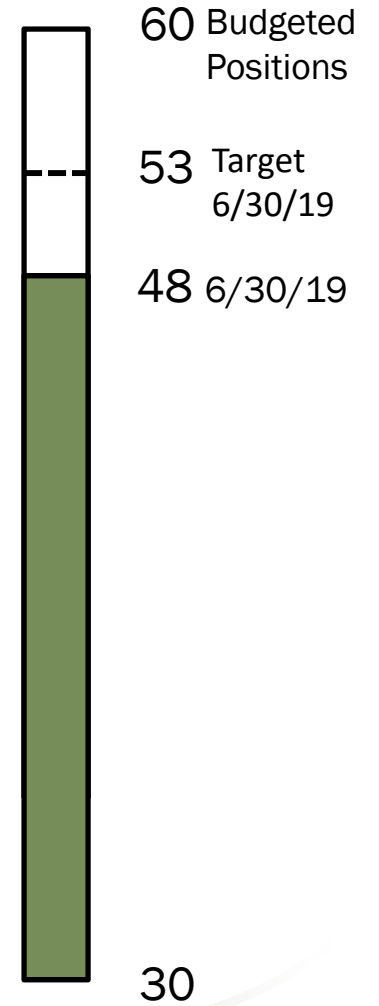
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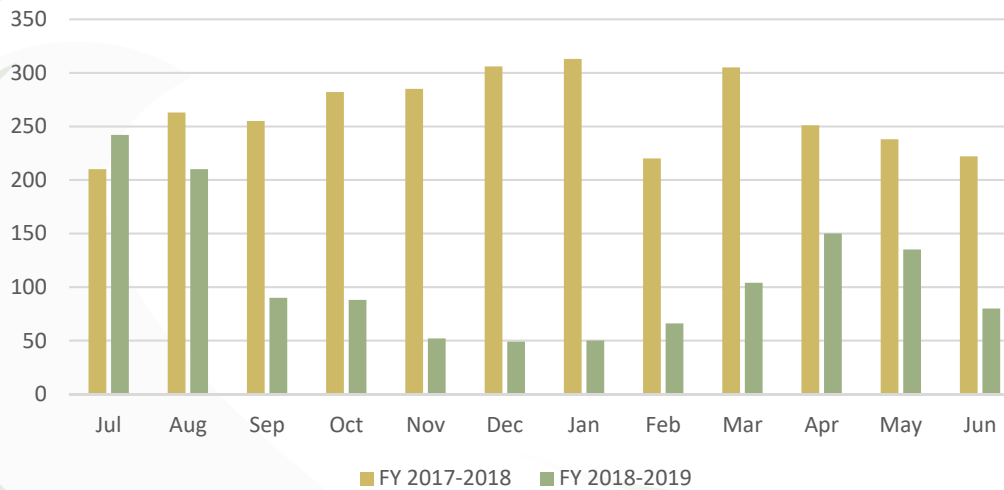


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