ITEM 16

Executive Staff

Richard Stensrud
Chief Executive Officer

Steve Davis
Chief Investment Officer

Robert L. Gaumer
General Counsel

Kathryn T. Regalia
Chief Operations Officer

John W. Gobel, Sr.
Chief Benefits Officer

For Agenda of:
April 19, 2017

SCERS
SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

April 14, 2017

TO: President and Members
Board of Retirement

FROM: Richard Stensrud
Chief Executive Officer

SUBJECT: Proposed Modifications to SCERS Staff Structure

You will recall that during the CEO's report at the March Board Meeting, I mentioned that staff would be proposing modifications to SCERS' staff structure for the 2017-18 fiscal year. Some of the changes presented in this item are a continuation of the staff augmentations the Board approved in July 2015. One of the changes introduces a new function and executive-level position for SCERS related to the need we have discussed to establish a structure and systematic process to ensure continued forward progress on SCERS strategic and continuous improvement initiatives and enterprise risk management.

SCERS multi-year IT Modernization project will impact all areas of the organization at varying degrees and points in time. While the primary objective has been to supplement SCERS existing staff with additional external/contracted resources for specialized skills related to various aspects of the IT Modernization project, key SCERS Operations and Benefits staff must be involved. The proposed modifications to SCERS staff structure are intended to ensure sufficient depth in key areas of the organization to minimize the impact to SCERS ongoing operations and support. The proposed Enterprise Initiative and Risk Management function for SCERS will provide much-needed support for program and project management, change management, knowledge management, enterprise risk management, enterprise performance management, and communications planning.

The purpose of the discussion at this meeting is to preview the staff structure proposals that will be coming back to the Board in May as recommendations for approval, which will enable staff to incorporate the changes authorized by the Board in the proposed administrative budget for 2017-18 to be submitted to the Board in June.

The attached materials present by functional area a discussion of the proposal, background, and fiscal impact of the proposed modifications to SCERS staff structure in each area, as well as organization charts showing the current and proposed staffing.

No action is being requested at this meeting.

Respectfully,

Richard Stensrud
Chief Executive Officer

Attachments

EXECUTIVE STAFF

Proposal

Establish an Enterprise Initiatives and Risk Management (EIRM) function in SCERS organizational structure.

The EIRM would serve SCERS by overseeing and managing multi-year improvement programs to achieve SCERS' Mission, Core Values and Goals as set forth in SCERS' Strategic Plan and beyond.

The activities of the EIRM would be organized into four program areas:

1. Enterprise Risk Management – Provides structure and oversight for identifying, prioritizing, tracking and mitigating conditions that may negatively affect SCERS operational effectiveness or reputation, separate from the investment risk management program.
2. Continuous Improvement Program – Provides oversight for SCERS' Strategic Plan execution and provides an ongoing, annual framework for continuation of strategic enterprise improvements beyond the 2014-2018 timeframe.
3. Project/Program Support – Provides enterprise level, cross-program services including project management, change management, knowledge management, communication planning, and enterprise performance management.
4. IT Modernization Program – Provides program oversight, vendor and DTech relationship management, and project oversight for the management consultant (Linea), data conversion project (ICON), PAS project and investment accounting project.

For the 2017-18 fiscal year, Staff proposes to add one Assistant Retirement Administrator position to serve as the Director of Enterprise Initiatives and Risk Management. This would be an exempt position outside of the Civil Service Structure.

This position will report directly to the CEO and will design and implement, in coordination with the SCERS Executive Team, the methods and processes for each EIRM function. It is anticipated that additional staff will be needed in the 2018-19 fiscal year to support the work of the EIRM.

The EIRM activities will be overseen by the Director of EIRM and staffed using temporarily assigned SCERS internal staff and vendor staff. Enterprise Risk Management activities will be a joint responsibility of the SCERS Executive Team, with leadership and recordkeeping provided by the Director of EIRM. The Continuous Improvement Program will generally consist of internally staffed and managed projects focused on implementation of the Strategic Plan initiatives with project management

support from the Director of EIRM. Project/Program Support will be provided by the Director of EIRM leveraging internal staff. The IT Modernization Program will be performed primarily by vendor staff with the Director of EIRM providing management oversight and internal SCERS staff providing knowledge transfer and review/acceptance of project deliverables.

Background

SCERS CEO initiated efforts late last year to address concerns that the completion of the remaining improvements and changes envisioned in the SCERS Strategic Plan might not be achieved within the 2014-2018 timeframe. SCERS IT Modernization Project and the upcoming initiation of selection and implementation of a new PAS will divert attention and resources from other Strategic Plan initiatives.

In November 2016, Annette St. Urbain, former CEO of San Joaquin CERA, was brought on board as an Assistant Administrator on what was mutually expected to be a limited term basis, to supplement the SCERS Executive Team. The original mandate was to help develop traction on strategic initiatives that can be difficult to move forward when SCERS concentrated Executive Team has a full plate of daily operational responsibilities.

Among other things, it was contemplated that Ms. St. Urbain would:

- Help design and implement an organization-wide, standardized project management structure and process that monitors and moves forward in parallel all the major projects and initiatives SCERS is or will be pursuing.
- Help design and implement a 'culture building' program at SCERS that is customer service focused and driven, including measures to determine the current customer service quality baseline, improve customer service, and facilitate change management.

In February, the CEO advised he will be leaving SCERS in mid-May. The Board has concurred with the CEO's recommendation that Ms. St. Urbain serve as SCERS Interim CEO while the Board recruits a successor CEO. As a result, Ms. St. Urbain's focus since March has been on working closely with the Executive Team to become familiar with SCERS current practices and becoming involved in current and upcoming issues and decisions in preparation for her role as Interim CEO.

The need for a skilled and experienced executive to fulfill the original objectives of Ms. St. Urbain's employment has not changed or diminished. In fact the impending departure of the CEO has highlighted the importance of having a structured and systematic approach for implementing major strategic and program initiatives and objectives so that 'key person' risk is reduced. Currently, SCERS has been able to continue to move forward in these efforts by engaging the services of a highly skilled, recently retired consulting professional on a contractual basis. This arrangement, however, will not provide the full, ongoing solution required. Rather, the solution is to establish an internal staff capability to perform these functions, starting with a skilled, experienced professional to lead the effort.

Fiscal Impact

The cost for the Assistant Retirement Administrator – Director of EIRM position is $204,547.50 ($155,354.15 in salary and $49,193.35 in benefits) for fiscal year 2017-18.

SCERS
SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

Functional Organization Chart

Proposed

BOARD OF RETIREMENT

Chief Executive Officer

General Counsel

- Legal representation and counsel to SCERS Board and staff
- Coordinate and oversee the selection and work of outside legal counsel
- Evaluation of securities litigation
- Analysis of state and federal legislation
- Legislative proposals, contracts, resolutions, and opinions
- Legal education programs
- Legal service planning and budgeting

Chief Benefits Officer

- Service, disability, deferred, and reciprocal retirements
- Pension payroll administration
- Seminar presentations and member retirement counseling
- Retirement publications and communications
- Death benefits and service credit purchases
- Community Property interest resolution

Chief Investment Officer

- Investment policy and objectives
- Investment compliance and performance reporting
- Asset allocation rebalancing
- Conduct manager searches
- Manager due diligence
- Proxy voting and corporate governance
- Board education on investment issues

Director of Enterprise Initiatives and Risk Management

Enterprise Risk Management

- Create & maintain the Risk Management Register and facilitate review sessions
- Analyze and actively manage high impact/high probability risks

Continuous Improvement Program (CIP)

- Preparation of an annual SCERS CIP Plan report progress
- Oversee management of active CIP initiatives

Project/Program Support

- Maintain Enterprise Communications Plan/ Schedule and coordinate plans across departments
- Create/maintain the Enterprise Performance Management program and prepare periodic performance reports
- Create/maintain the Change Management register, analyze Change Requests and monitor status of Change Requests
- Create/maintain a repository of Enterprise Knowledge including policies, process designs, business rules, etc.

IT Modernization Program

- Procure vendor/DTech services and monitor vendor performance
- Facilitate positive working relationships among SCERS operations, DTech, and vendors
- Coordinate SCERS staff assignments to vendor projects
- Monitor and report IT Modernization Program progress and budgets

Chief Operations Officer

- Accounting and financial reporting
- Budgeting and cash flow analysis
- Human resources
- Facilities and safety
- Information technology and telecommunications
- Administration and records

OPERATIONS STAFF

Proposal:

Reaffirm the Board's previous approval of adding a Senior IT Analyst and an Accountant position to SCERS' staff structure.

Background:

In July 2015, your Board was presented with information regarding expanded demands and complexity in the IT and investment support areas. Your Board concurred with the Staff recommendation that additional staff needed to be added to support these responsibilities. In August 2015, your Board approved the addition of a Senior IT Analyst, and in August 2016, your Board approved the reclassification of a Senior Account Clerk to an Accountant position.

Senior IT Analyst

Subsequent to your Board's approval, in Fall 2015, Staff initiated the process to obtain a Salary Resolution Amendment through the County Department of Personnel Services (DPS) to add the Senior IT Analyst position. SCERS was notified that DPS would not recommend the approval of the Salary Resolution Amendment, because it did not appear that the Senior IT Analyst would be handling a sufficient level of supervision. In February 2016, Staff advised your Board of the DPS position. Discussion followed in which it was observed that a County classification study was underway with respect to IT positions; that it was anticipated that the study of IT positions would be reaching a conclusion in early Summer 2016; that it was expected that various IT positions would be revised, including the retitling of the Senior IT Analyst; and that there would likely be a new position, with the same qualifications but without the supervision requirement. Given that information, the decision was made to postpone further action regarding the Senior IT Analyst position until the optimal way to proceed could be identified.

Since it was unclear when that might happen, in June and August 2016, the Senior IT Analyst position was included in both the proposed and final administrative budget approved by your Board.

As of now, the County IT classification study has yet to conclude.

Since the position was approved, SCERS has contracted with ICON for the data analysis and conversion necessary for implementation of a new Pension Administration System (PAS). Onsite work on the data conversion will begin shortly. It is anticipated that the PAS vendor will be selected in July/August 2017 with work beginning in late 2017 on the software and implementation of the PAS. SCERS is also in the process of acquiring software and implementation services for an investment accounting system (IAS). As SCERS moves forward on these projects, the additional IT professional is imperative to effectively cover both project and business needs.

In a recent meeting with senior officials from the County Executive's office, SCERS' Chief Executive Officer inquired about the status of the County's IT classification study, as SCERS is approaching a critical need to fill this position. The County officials noted that they are now in negotiations with labor regarding the classification study results, but it is unclear exactly when this process will conclude. They did confirm, however, that Senior IT Analyst is still a valid position classification, and, throughout 2016 and as of this writing, County departments continue to recruit for the Senior IT Analyst job class. They further confirmed that there would be no objection to SCERS proceeding to fill the Senior IT Analyst position. It was agreed that if the conclusion of the County's classification study process results in changes to the job classification, SCERS can simply implement those changes in the same manner as County departments with employees in that job classification.

Staff believes that with the onset of the major IT projects noted above, the supervision concerns can be addressed, and therefore proposes to move forward with the effort to implement the Senior IT Analyst position.

Accountant

In order to address the increased complexity and analysis required by the Accounting Staff, an additional Accountant position was requested in the 2016-2017 budget. At that time, Staff believed that the most cost effective way to achieve this would to reallocate a vacant full-time Senior Account Clerk position as the second Accountant position. Based on that premise, the final administrative budget for 2016-2017 included two full-time Accountant positions rather than one as in in the previous year.

However, as the year progressed and as the accounting staff analyzed and assigned work among team members to be more efficient, it became evident that there are a number of clerical tasks that could not be eliminated using the current accounting information system. It was further determined that it would be most cost effective and appropriate to have these tasks be performed by the clerical positions on the accounting staff (i.e., the Senior Account Clerk). Maintaining the Senior Account Clerk position will allow the professional accounting staff to remain focused on the higher skill analytic duties to support the investment program and devote their time to support the acquisition of the IAS and PAS.

SCERS' accounting needs are somewhat unique in that the small accounting staff covers a wide range of tasks from simple purchasing to complex financial reporting. The Senior Account Clerk position is part of a career path that allows SCERS to recruit qualified candidates and prepare them to take on the more challenging responsibilities. As a result, while the additional Accountant position was authorized and budgeted for, the reallocation of the Senior Account Clerk was not pursued.

However, the need for an additional Accountant position remains. Staff proposes the new Accountant position be in addition to the existing Senior Account Clerk position rather than in place of it.

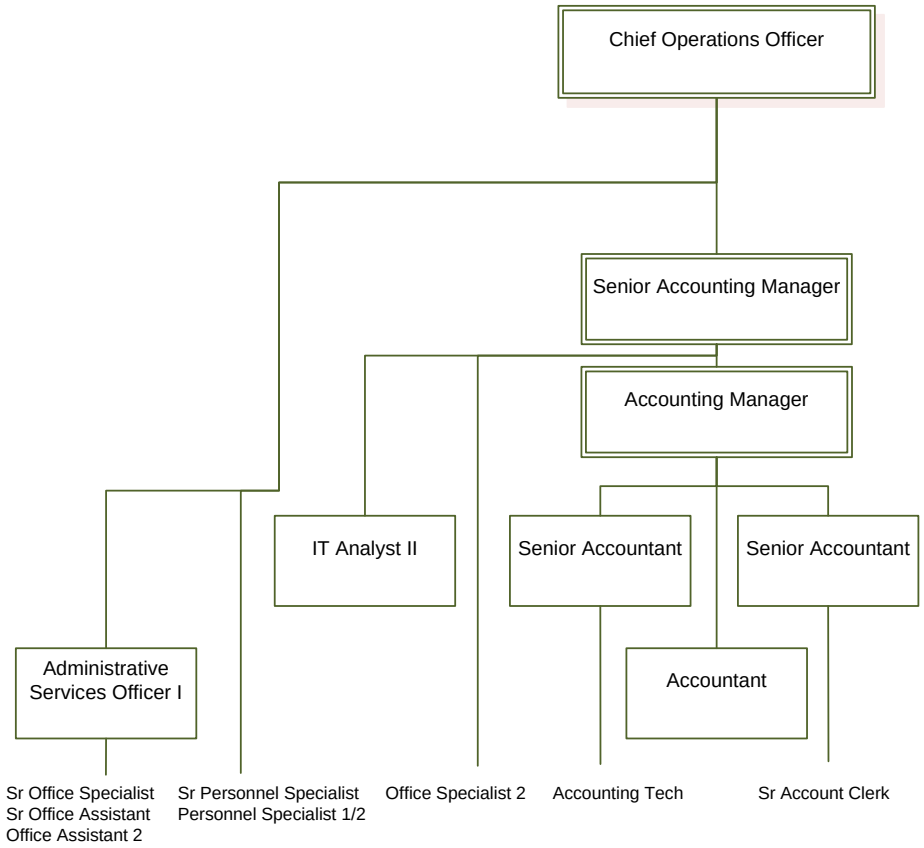
Fiscal Impact:

All-in cost for the three positions (Senior IT Analyst, Accountant, and Senior Account Clerk) would be $341,630.30 ($239,174.35 in salaries and $102,445.95 in benefits) for fiscal year 2017-2018. Since the costs for the Senior IT Analyst and Accountant positions ($262,701.93) have previously been included in the budget, the net increase to implement this change is $78,928.37.

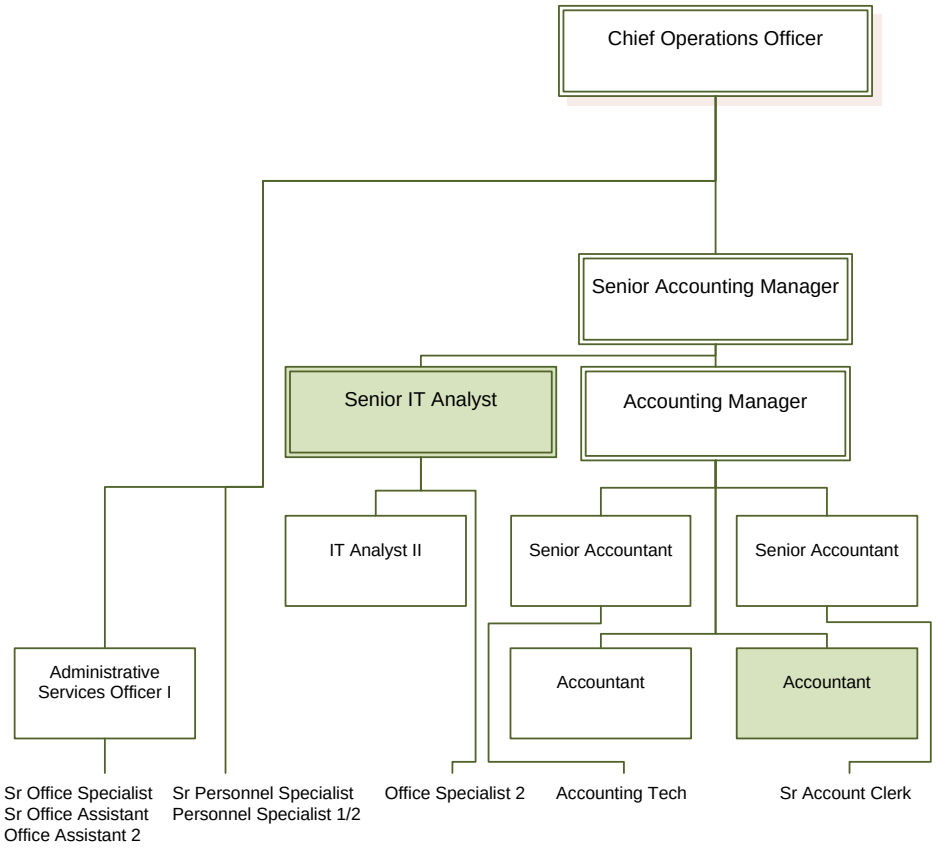
SCERS
SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

Operations Staff Organization Chart

Current



Proposed



BENEFITS STAFF

Proposal:

Add a third Retirement Services Analyst and a second Retirement Services Manager position to the Benefits Staff structure.

Background:

In July 2015 your Board was presented with information regarding a proposed re-structuring of the Benefits Staff to address the marked increase in retirement activity and workloads over the past decade, develop a more efficient model for benefit processing, and improve existing service standards. Specifically, it was proposed that a third 'full service' retirement services team be established, and that additional staff be added to the existing 'full service' teams. To that end, it was proposed that a Retirement Services Supervisor, two Senior Retirement Benefits Specialists, and three Office Specialist positions be added to the Benefits Staff. Your Board approved the plan and the additional positions were added to the budget.

At the same time, your Board was advised that to provide the same structure and operational capability to the new retirement services team as the existing two retirement service teams, it would be necessary to add a third Retirement Services Analyst at a future date to oversee that team. It is now time to add that Retirement Services Analyst position in order to enable the third retirement services team to scale up to the same levels of production as the other two teams.

The build-out at the first few levels of the Benefits Staff, and the change to 'full service' teams, drives a similar need to address management demands and capability at the level immediately below the Chief Benefits Officer. Currently there is one Retirement Services Manager at that level. When that position was established there were approximately 20 members on the Benefits Staff, operating in teams focused on specific functions, and handling a much lower volume of benefit activity. Today, the Retirement Services Manager position oversees four benefit administration teams (the three 'full service' retirement services teams noted above, plus the pension payroll team) and plays a pivotal role in managing workflow, training, situation management, and problem solving across a 31 member Benefits Staff. Adding a second Retirement Services Manager position is not only essential for managing the expanded staff and workload, but will allow for an enhanced level of planning and oversight at the Retirement Services Manager level, something that is currently constrained by the degree of day-to-day management required.

The proposed addition of a Retirement Services Analyst and Retirement Services Manager will also be critical to the successful development and implementation of the

new Pension Administration System (PAS). The employee benefits knowledge, benefits processing experience, and troubleshooting skills provided by these positions will be essential to managing the subject matter expertise demands of the IT project while maintaining the successful daily execution of the benefits administration. The positions will also be vital for a smooth transition from the current manual process model of benefit administration to the new PAS, and the redeployment of Benefits Staff to more qualitative aspects of benefit administration such as personal customer interaction.

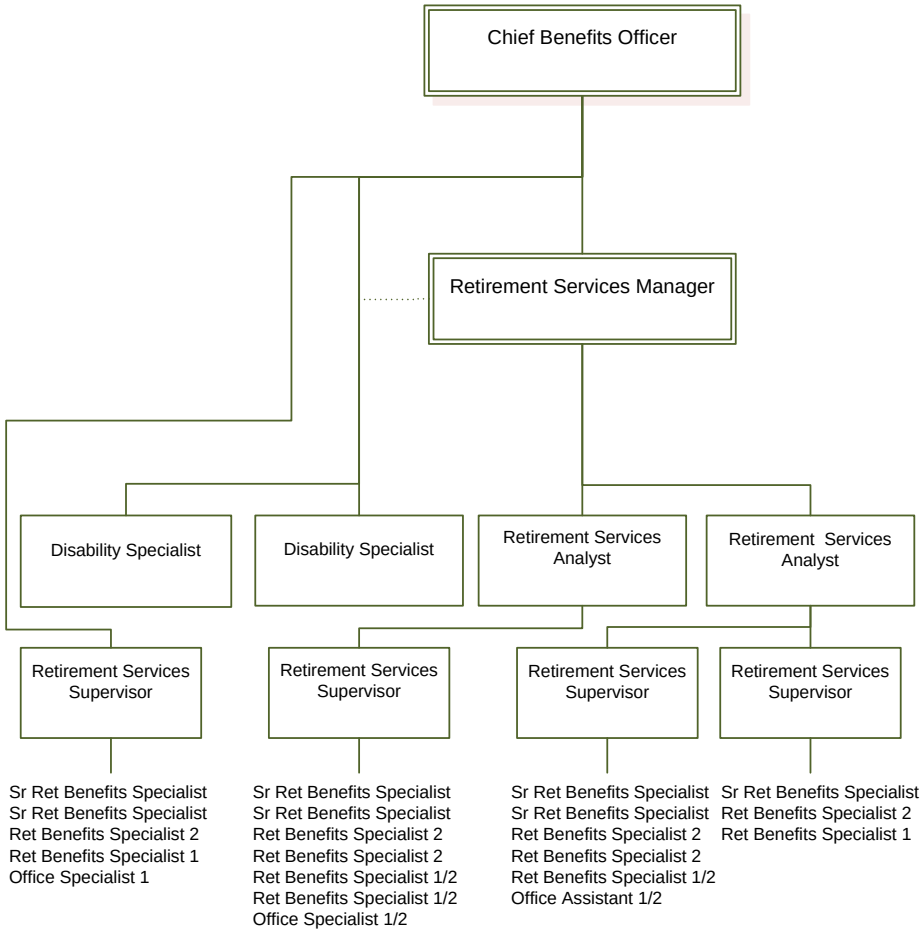
Fiscal Impact:

The costs for the Retirement Services Manager and the Retirement Services Analyst positions would be $304,064.48 ($219,388.43 in salaries and $84,676.04 in benefits) for fiscal year 2017-2018.

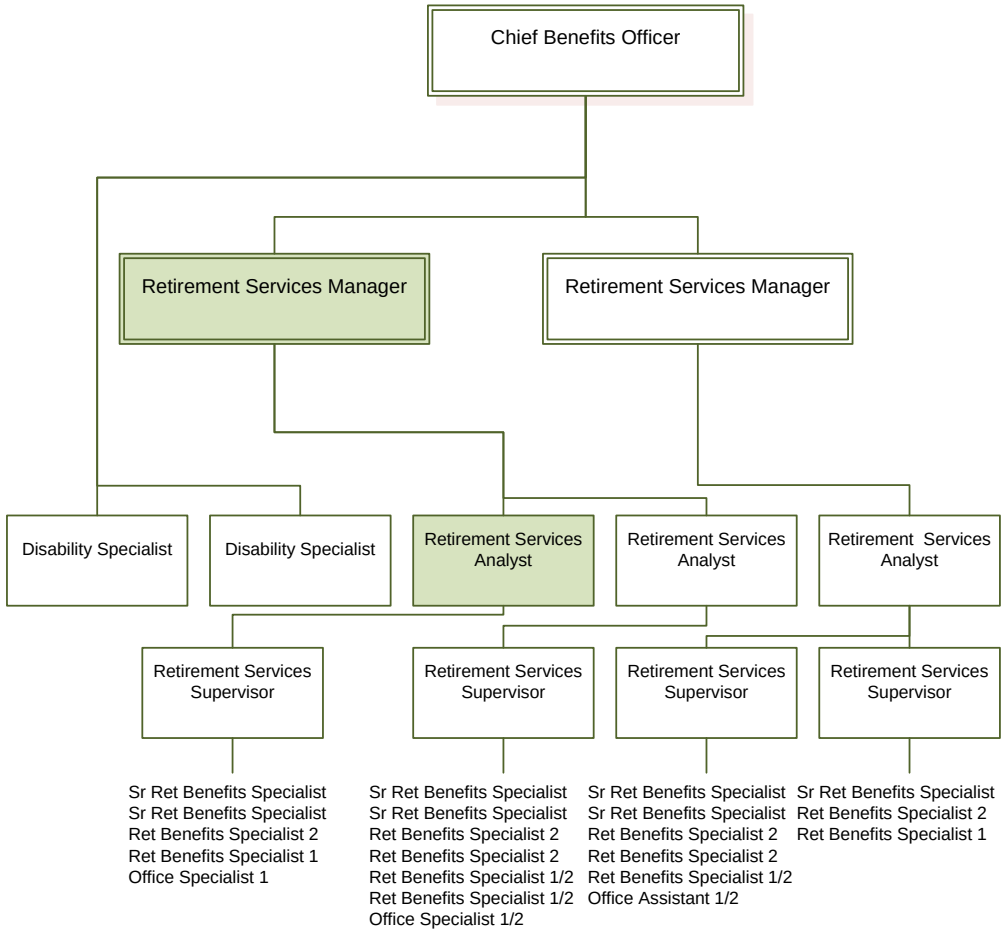
SCERS
SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

Benefits Staff Organization Chart

Current



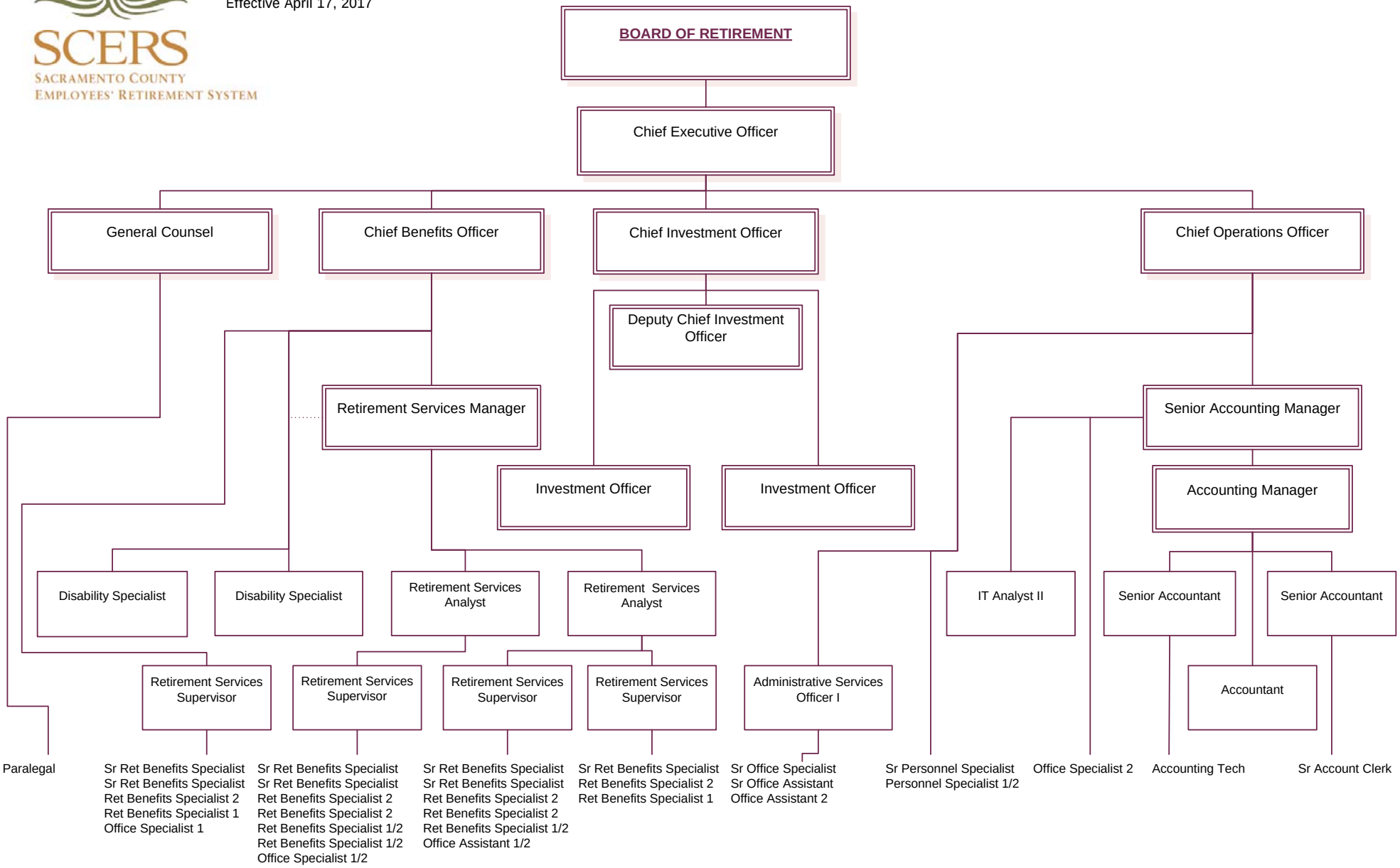
Proposed



SCERS
SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

Staff Organization Chart

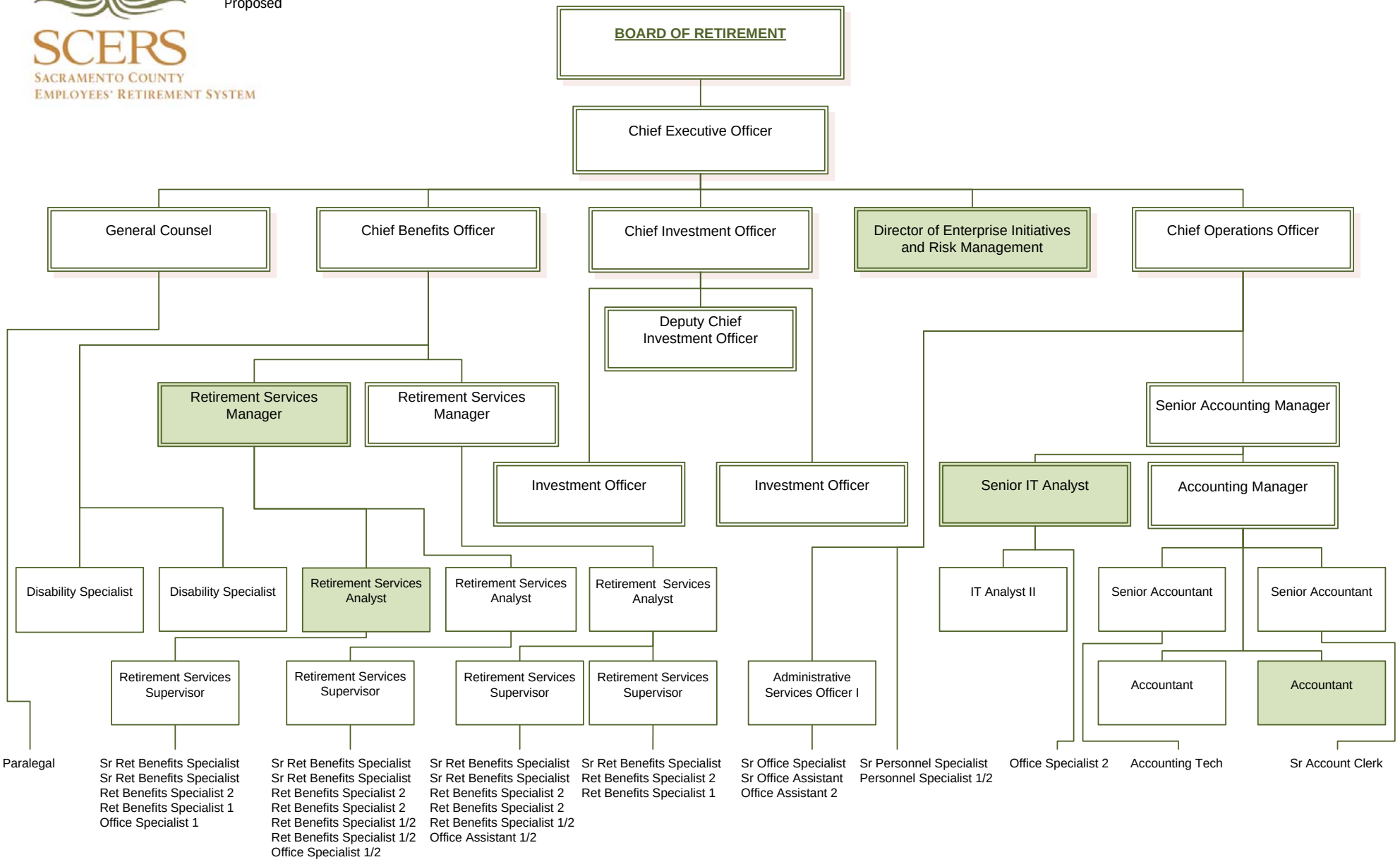
Effective April 17, 2017



SCERS
SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

Staff Organization Chart

Proposed



FY 2017-2018

SCERS

Proposed Staff Structure

Introduction

- Modifications to SCERS' staff structure for FY 2017-18
  - Continuation of the staff augmentations the Board approved in July 2015
  - New function and executive-level position

Enterprise Initiatives & Risk Management

Enterprise Initiative and Risk Management (EIRM)

- Establish Enterprise Initiative and Risk Management (EIRM) function:
  - Enterprise Risk Management
  - Continuous Improvement Program
  - Project/Program Support
  - IT Modernization Program
- Add one exempt Assistant Retirement Administrator* position as Director of EIRM
- Reports to the Chief Executive Officer

** Staff consulted with County HR about other possible appropriate job classes, it was recommended that SCERS use the exempt Assistant Retirement Administrator job class for this role.*

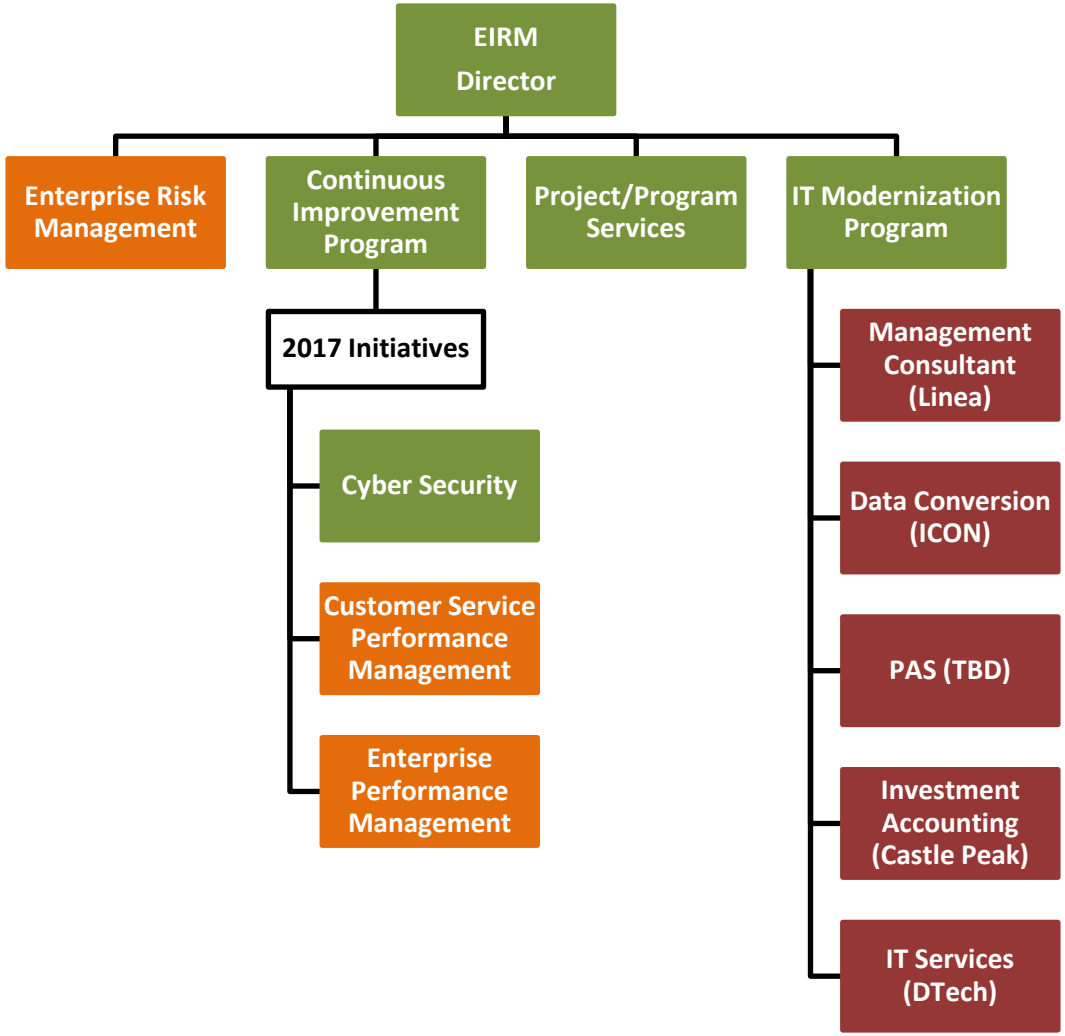
Purpose

- Provide structure and oversight for identifying, prioritizing, tracking and mitigating enterprise risks (this is separate from investment risk management)
- Provide support for SCERS Strategic Plan execution and ongoing framework for continuation of strategic enterprise improvements beyond the 2014-2018 timeframe.

Purpose (continued)

- Provide enterprise level, cross-program services using specific skills, expertise and an understanding of industry/project management methodologies and tools:
  - Project management
  - Change management
  - Knowledge management
  - Communication planning
  - Enterprise performance management
- Provide program oversight and vendor/consultant relationship and services management as needed for projects related to SCERS' IT Modernization Program (data conversion, PAS, investment accounting, etc.)

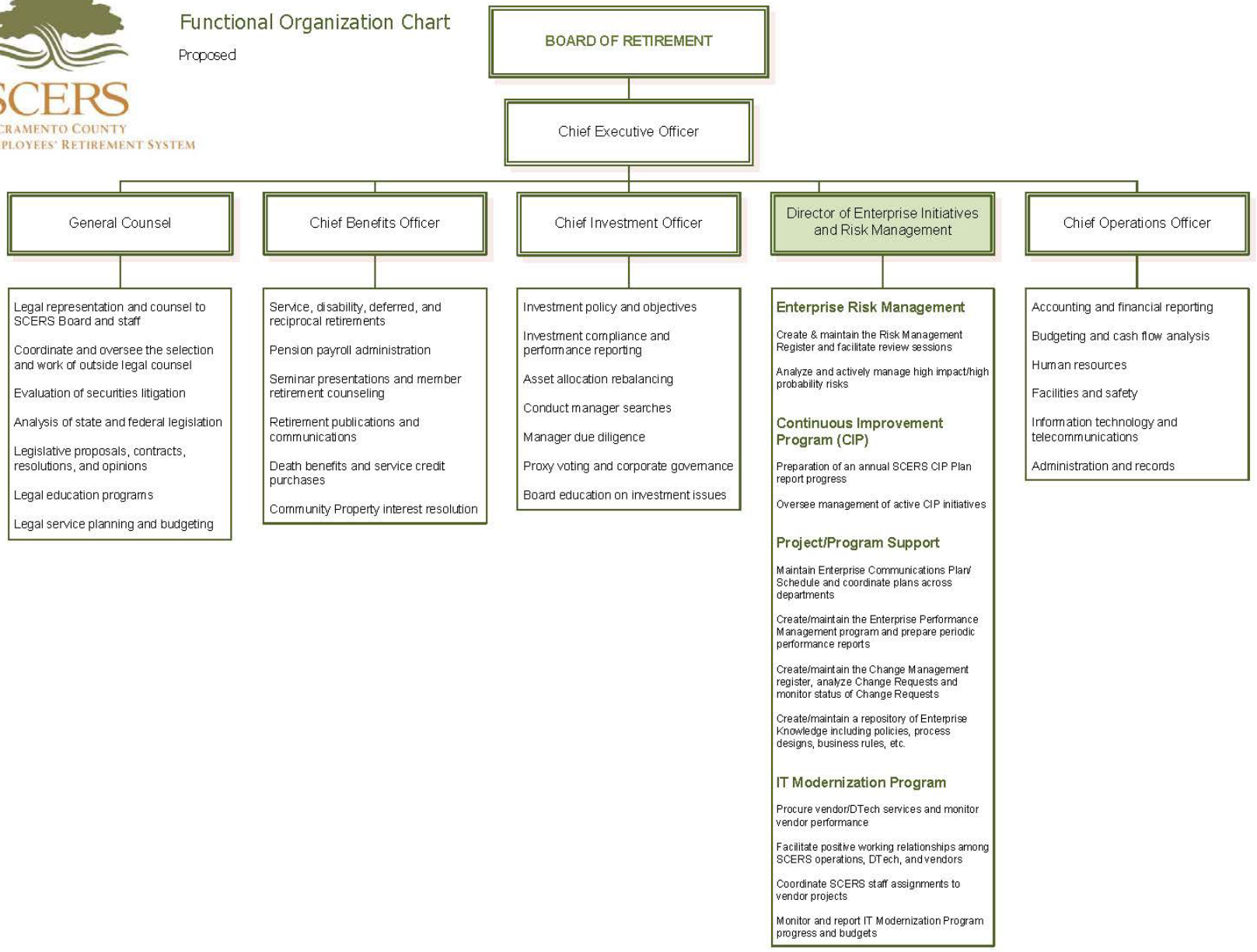
Enterprise Initiatives and Risk Management Office



SCERS
SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

Functional Organization Chart

Proposed



Fiscal Impact

Job Title	Monthly Reg Pay	Regular Pay	Premium	Retirement	Social Security	Medi-Care	Total FICA	Insurance	RHSP	401(a) Plan	Salaries & Benefits Total
Assistant Retirement Administrator - EIRM	12,526.54	150,318.48	5,035.67	21,174.77	7,886.40	2,252.64	10,139.04	15,676.00	650.00	1,553.54	204,547.50
Net Increase	**12,526.54**	**150,318.48**	**5,035.67**	**21,174.77**	**7,886.40**	**2,252.64**	**10,139.04**	**15,676.00**	**650.00**	**1,553.54**	**204,547.50**

Total Salaries	**$155,354.15**
Total Benefits	**$49,193.35**
	$204,547.50

Operations

Background

July 2015

- Presentation regarding expanded demands and complexity in the IT and investment support areas

August 2015

- Board approved the addition of a Senior IT Analyst
- Staff initiated the process to add the position in Fall

June 2016

- Board approved the reclassification of the Senior Account Clerk to the Accountant

Progress and Developments

- Selected an IT consultant Linea to assist with the IT Modernization Program
- Worked with Linea
  - Analyzed IT needs
  - Developed functional and technical requirements
  - Developed RFP for data conversion and PAS
  - Organized and participated in meetings with vendors and consultants
- Data conversion work begins in Spring 2017
- PAS vendor expected to be selected in Fall 2017
  - Work to begin late 2017
- Process to acquire and implement investment accounting software to begin soon
- Selection of service providers for independent auditing services and actuarial auditing services are in progress

Senior IT Analyst Position

- Initiated the process to add the position in Fall 2015
- County Department of Personnel Services would not recommend the approval of the addition due to the level of supervision
- County classification study was underway for IT positions
  - Anticipated to conclude in early Summer 2016
    - Various IT positions would be revised
    - Retitling of Senior IT Analyst
      - » Without supervision requirement
- In February 2016, Retirement Board instructed to postpone further action
- County classification study is still in progress, and it is unclear exactly when this process will conclude.
- County departments continue to recruit for the Senior IT Analyst job class
- County officials confirmed there would be no objection to SCERS proceeding to fill the Senior IT Analyst position

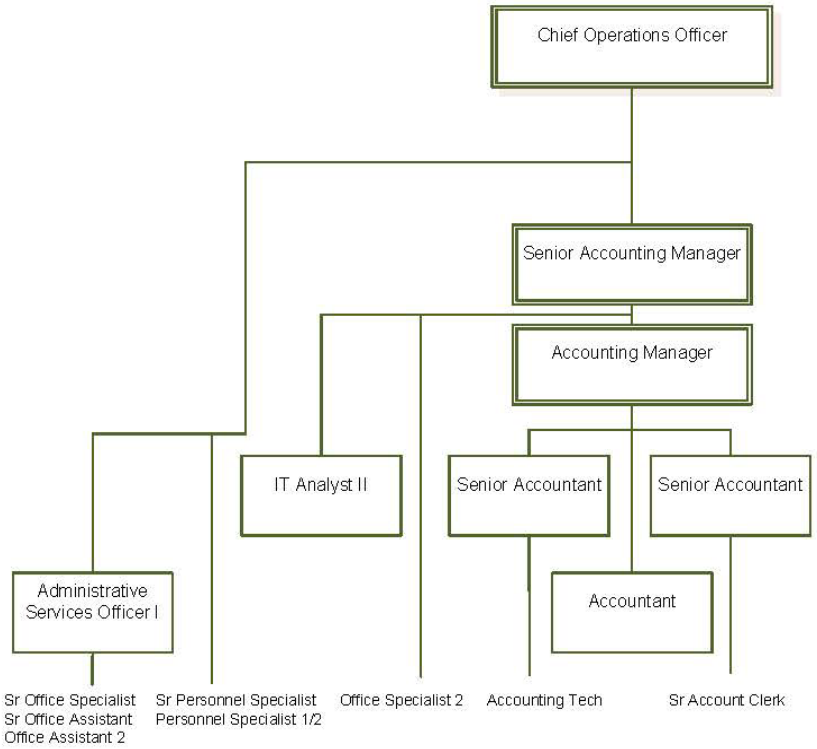
Accountant Position

- Reclassification of a Senior Account Clerk to an Accountant in FY16-17 budget approved
- Analysis of staff assignments
  - Numerous of clerical tasks
    - Could not be eliminated using the current accounting information system
    - Most cost effective and appropriate performed by clerical positions (Senior Account Clerk)
- Accountant will backfill senior accounting professionals
  - Remain focused on the higher skill analytic duties to support investment program
  - Support the acquisition of the IAS and PAS

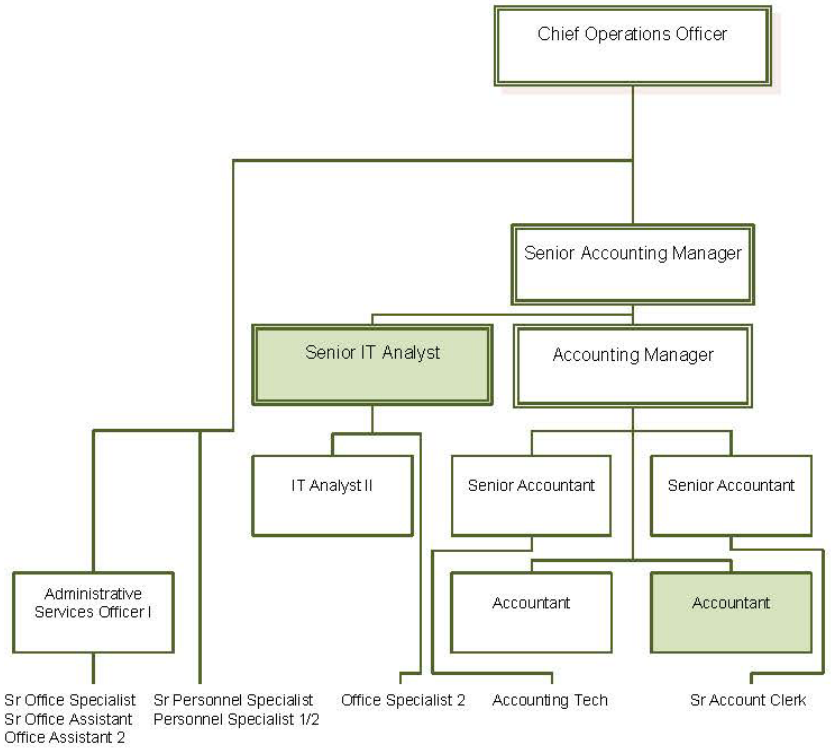
SCERS
SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

Operations Staff Organization Chart

Current



Proposed



Fiscal Impact

Job Title	Monthly Reg Pay	Regular Pay	Premium	Retirement	Social Security	Medi-Care	Total FICA	Insurance	RHSP	401(a) Plan	Salaries & Benefits Total
Proposed											
Sr. IT Analyst (IT Analyst 3)	9,092.30	109,107.60	3,655.10	17,015.89	6,991.29	1,635.06	8,626.35	16,602.00	650.00	1,127.63	156,784.57
Sr. Account Clerk	4,183.20	50,198.40	1,681.65	7,828.70	3,216.56	752.26	3,968.82	14,082.00	650.00	518.80	78,928.37
Accountant	6,211.80	74,541.60	0.00	11,248.33	4,621.58	1,080.85	5,702.43	13,775.00	650.00	0.00	105,917.36
	$19,487.30	**$233,847.60**	**$5,336.75**	**$36,092.92**	**$14,829.43**	**$3,468.17**	**$18,297.60**	**$44,459.00**	**$1,950.00**	**$1,646.43**	**$341,630.30**
Previously Requested											
Sr. IT Analyst (IT Analyst 3)	9,092.30	109,107.60	3,655.10	17,015.89	6,991.29	1,635.06	8,626.35	16,602.00	650.00	1,127.63	156,784.57
Accountant	6,211.80	74,541.60	0.00	11,248.33	4,621.58	1,080.85	5,702.43	13,775.00	650.00	0.00	105,917.36
	$15,304.10	**$183,649.20**	**$3,655.10**	**$28,264.22**	**$11,612.87**	**$2,715.91**	**$14,328.78**	**$30,377.00**	**$1,300.00**	**$1,127.63**	**$262,701.93**
Net Increase	**4,183.2**	**50,198.4**	**1,681.6**	**7,828.7**	**3,216.6**	**752.3**	**3,968.8**	**14,082.0**	**650.0**	**518.8**	**78,928.4**

Total Salaries	**$51,880.05**
Total Benefits	**$27,048.32**
	$78,928.37

Benefits

Structure for Service Teams

- Fully staffing anticipates teams composed of one Supervisor, two Senior Retirement Benefit specialists, four Retirement Benefit Specialists, and one Office Specialist.
- All staff have working caseloads, which consist of an assigned listing of members (or “alphabet letters”) and/or specialized, recurring tasks.

Issues

- Demographic trends continue to raise individual workloads, particular during peak periods.
- Ex. 180+ retirement applications submitted for March 2017.
- Planned expansion of third retirement services contemplates and requires addition of third Retirement Services Analyst.
- Increase in direct reports, ongoing technical demands, and need to develop a more sustainable operating environment indicate that addition of second Retirement Services Manager is also required in Benefits.
- Requested expansion of Benefits leadership group can mitigate immediate challenge of current staffing transition and long-term challenge of developing, testing and implementing a new pension administration system

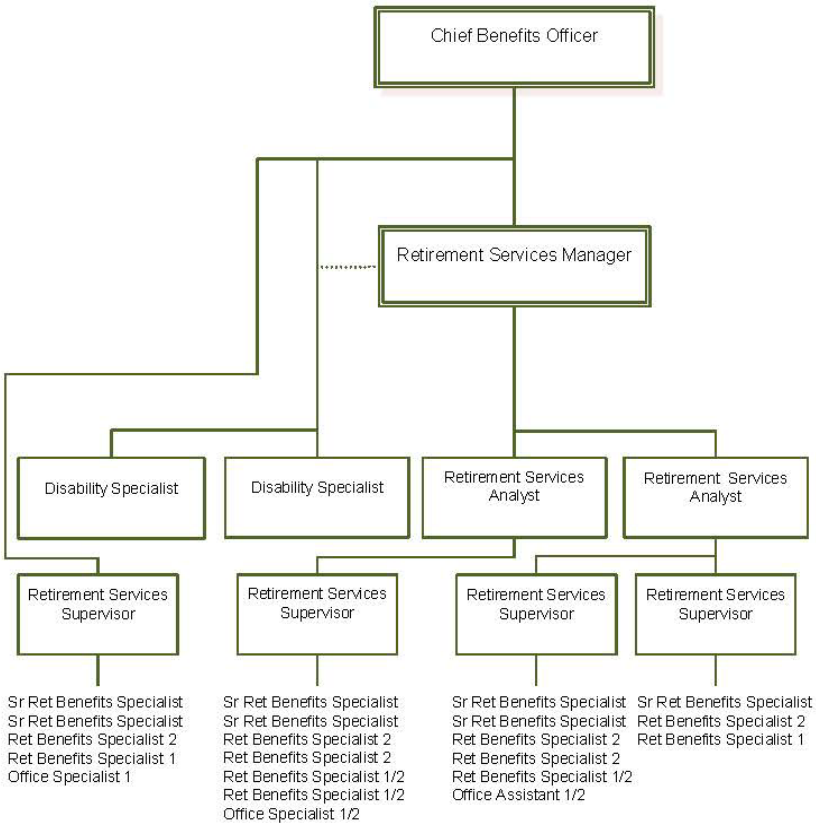
Outcomes

- Accelerated deployment of new hires to roles that directly assist active, deferred and retired members of SCERS.
- Enhanced career track for successful employees who wish to remain in Benefits on a long-term basis.
- Improved working environment for experienced retirement specialists and reduced organizational risk due to sudden or unexpected staff departures.

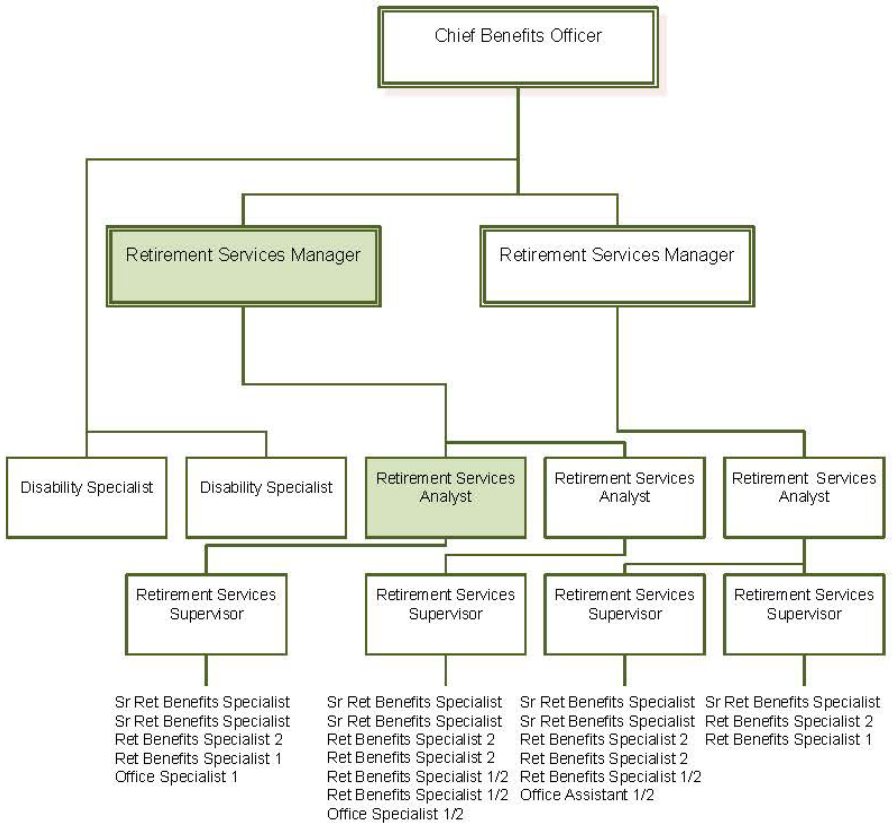
SCERS
SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

Benefits Staff Organization Chart

Current



Proposed



Fiscal Impact

Job Title	Monthly Reg Pay	Regular Pay	Premium	Retirement	Social Security	Medi-Care	Total FICA	Insurance	RHSP	401(a) Plan	Salaries & Benefits Total
Retirement Services Manager	10,176.70	122,120.40	4,091.03	19,045.31	7,825.11	1,830.07	9,655.17	16,602.00	650.00	1,262.11	173,426.03
Retirement Services Analyst	7,764.75	93,177.00	0.00	14,060.41	5,776.97	1,351.07	7,128.04	15,623.00	650.00	0.00	130,638.45
Net Increase	**17,941.45**	**215,297.40**	**4,091.03**	**33,105.71**	**13,602.08**	**3,181.13**	**16,783.22**	**32,225.00**	**1,300.00**	**1,262.11**	**304,064.48**

Total Salaries	**$219,388.43**
Total Benefits	**$84,676.04**
	$304,064.48

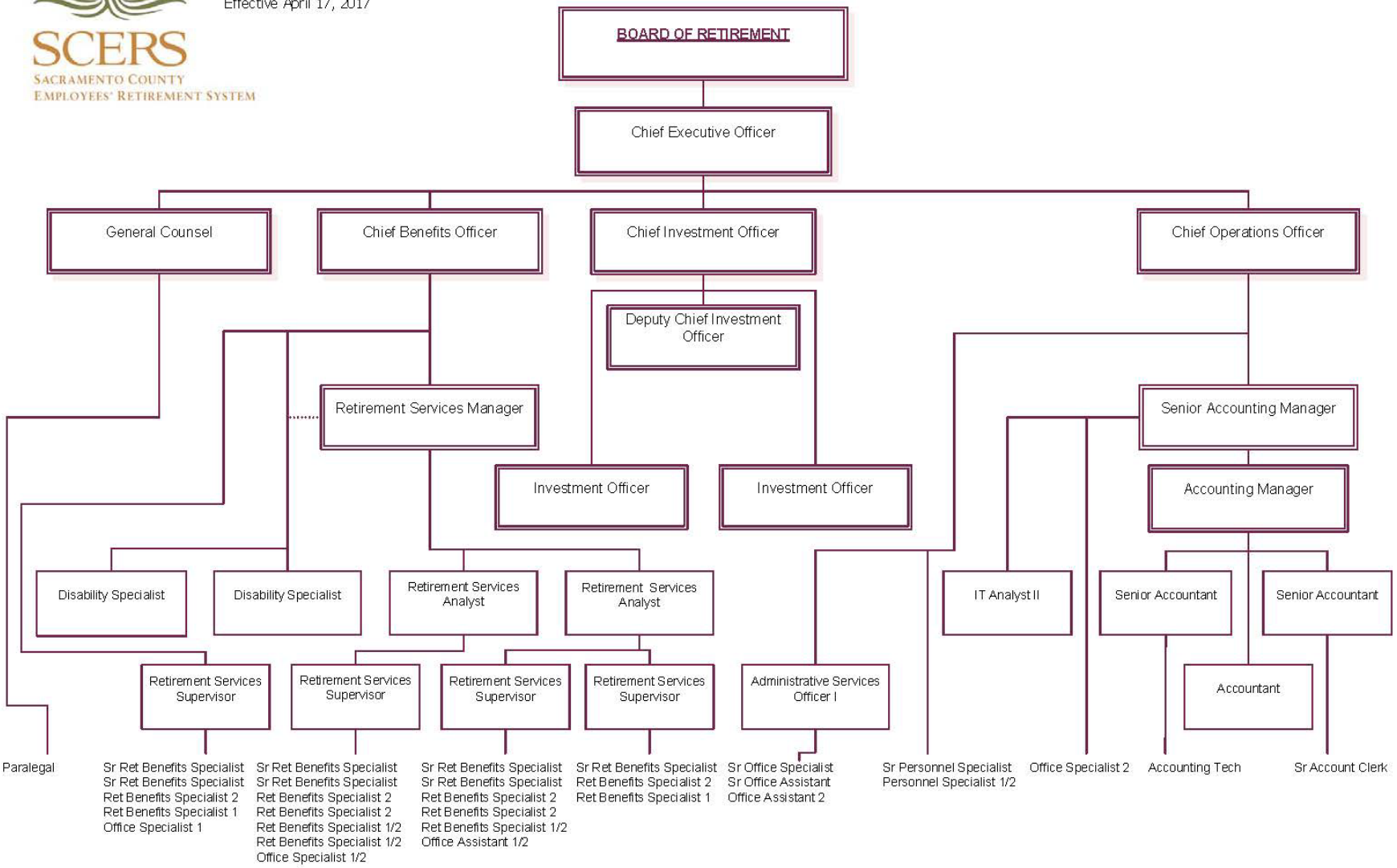
SCERS

Staff Structure

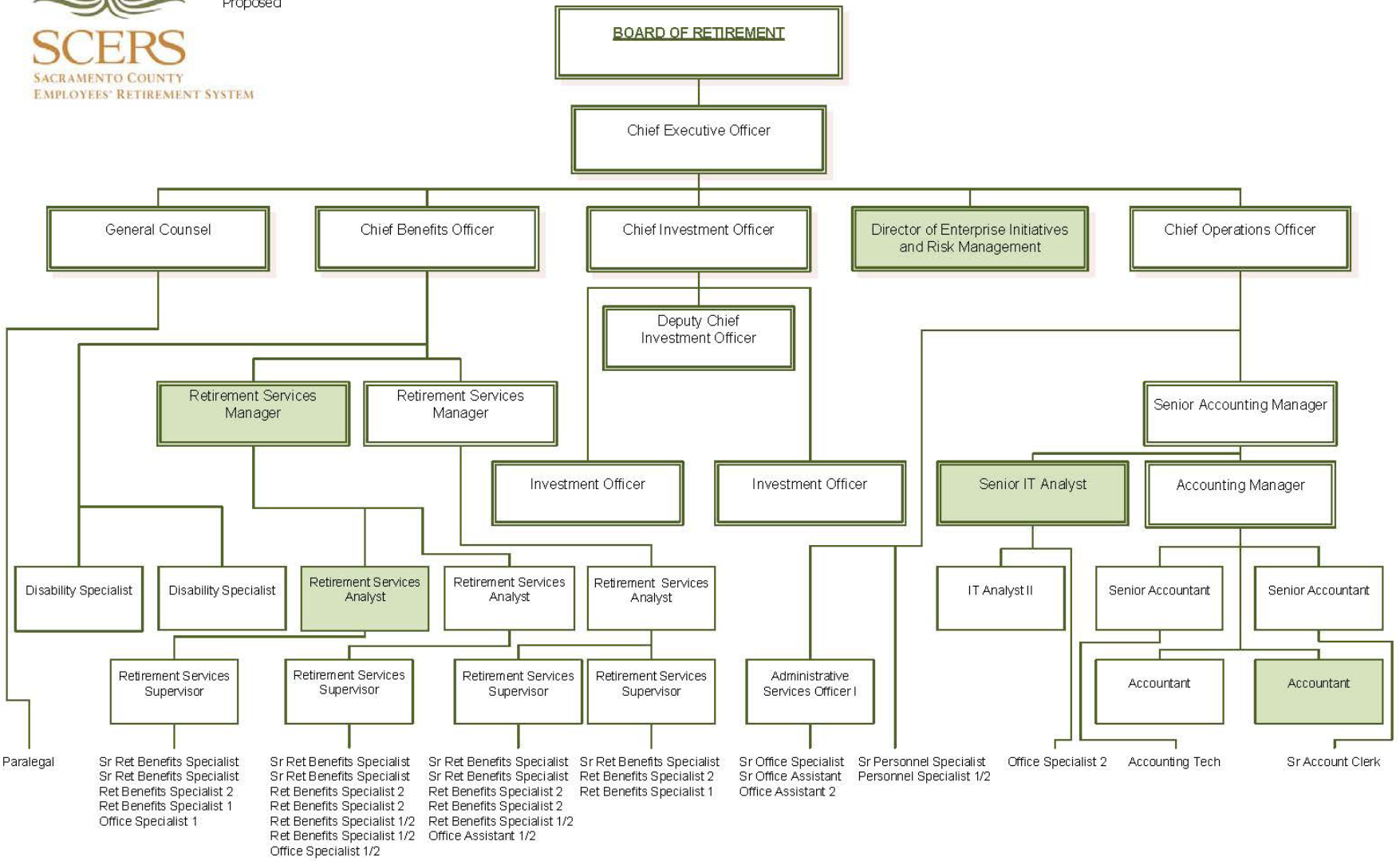
SCERS
SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

Staff Organization Chart

Effective April 17, 2017



SCERS
SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

Staff Organization Chart

Proposed