

SCERS

Strategic Management Plan

2020 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.

Our work in 2020 largely reflected the challenging circumstances facing all organizations during the global pandemic. Highlights include:

- Maintaining customer-service performance levels while the office was shut down and staff worked remotely.
- Delivering a positive investment return in a volatile market environment, keeping the plan on track to be fully funded in 20 years.
- Connecting with members through retirement planning webinars, new educational videos, and expanded web content.
- Launching a major phase of a new Pension Administration System that will provide web-based, self-service tools for members.

A new year brings opportunity as SCERS celebrates our 80th anniversary in 2021. While looking back and acknowledging this milestone throughout the year, we'll also look to the future. We've been providing pensions since 1941, but what does that really mean?

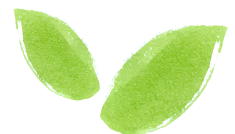
Working with the Board of Retirement, SCERS is revisiting our mission and vision statements in 2021 to reflect our common purpose and provide focus on where SCERS is headed. At the core, we manage and grow assets that secure retirement, disability, and death benefits for our members, but we also:

- Provide retirement income and comfort for our members for the rest of their lives.
- Safeguard what is likely our members' largest financial asset.
- Assist members on their retirement journey after a long career in public service.
- Provide peace of mind to spouses and beneficiaries when members pass away.
- Partner with our employers to provide a generous benefit program that retains career employees.
- Offer injured workers the ability to stop working and retire with dignity.

Although 2020 was a challenging year for us all, I am proud that we have adapted and successfully carried out our mission, and I look forward to improving services to our members for years to come.

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

2020 Key Accomplishments

- ✓ Maintained service-level performance for retirement application processing in work-from-home environment during pandemic
- ✓ Launched customer-service survey for all new retirees
- ✓ Reduced backlog of disability retirement applications and onboarded dedicated disability retirement staff

2021 Key Initiatives

- Focus on member responsiveness while office remains closed to public during pandemic
- Maintain service-level performance during final stages of IT project
- Initiate changes to expedite death-benefit processing

White Board: Future Projects

- ▶ Roll out member self-scheduling system for appointments
- ▶ Hold “office hours” at County work sites
- ▶ Develop virtual contact center and live-chat options





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

2020 Key Accomplishments

- ✓ Provided extensive outreach to employers and employees about COVID impacts on SCERS operations and policies
- ✓ Shifted in-person retirement seminars to webinar format and expanded web-based education materials and videos
- ✓ Updated policies regarding Board of Retirement election procedures, sick leave conversion into service credit, post-retirement employment, and error corrections

2021 Key Initiatives

- Commemorate SCERS' 80th anniversary
- Conduct outreach campaign to register members and retirees on new member portal
- Expand webinars for Employer Forum and retirement planning

White Board: Future Projects

- ▶ Launch Go Green initiative to shift regular mailings to member online portal
- ▶ Develop member workshops on specific benefit topics
- ▶ Evaluate communication strategy to include social media presence





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

2020 Key Accomplishments

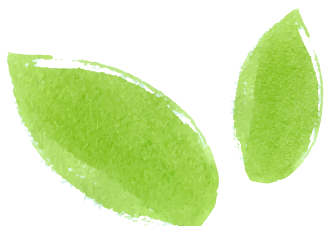
- ✓ Conducted triennial Experience Study and adopted new actuarial assumptions to improve long-term stability
- ✓ Adopted flat operating budget for 2020-21
- ✓ Secured funding agreements with former employers (UC Davis Medical Center and North Highlands/Sacramento Metro Fire District)

2021 Key Initiatives

- Complete court-ordered *Alameda* benefits corrections
- Initiate actuarial audit
- Adjust financial statement reporting timeline and evaluate new governmental accounting standards

White Board: Future Projects

- ▶ Develop compliance/ internal audit program 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

2020 Key Accomplishments

- ✓ Finished fiscal year up 3% during volatile pandemic environment
- ✓ Created cash management policy and added 1% cash allocation to manage liquidity needs

2021 Key Initiatives

- Conclude Alternate Assets Consultant search
- Conduct Asset Liability Modeling study and consider adjustments to asset allocation
- Finalize plans to conduct fiduciary "health check" on 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

2020 Key Accomplishments

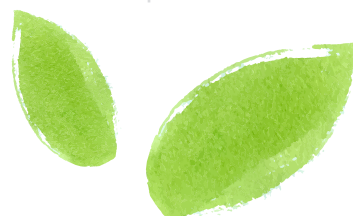
- ✓ Transitioned to work-from-home environment without significant business disruption
- ✓ Leveraged intranet site and video conferencing tools to communicate and support staff
- ✓ Maintained hiring, onboarding, and staff training during office closure

2021 Key Initiatives

- Focus on supportive work-from-home environment through pandemic
- Finalize tenant improvement plan for office refresh
- Incorporate mission, vision, and core values into staff onboarding and training

White Board: Future Projects

- ▶ Adjust staffing roles and responsibilities to align with new Pension Administration System
- ▶ Develop SCERS 101 training for new SCERS staff





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

2020 Key Accomplishments

- ✓ Completed data conversion and launched major phase of Pension Administration System (PAS)
- ✓ Increased staff ownership of PAS implementation and new business processes
- ✓ Engaged third-party service provider to assist SCERS the private market investment accounting

2021 Key Initiatives

- Complete next phase of PAS implementation and complete data clean-up
- Develop comprehensive performance reporting through PAS system
- Debrief on pandemic response

White Board: Future Projects

- ▶ Continuously improve performance dashboards/ performance reporting
- ▶ Initiate regular cycle to review web content, forms, etc.

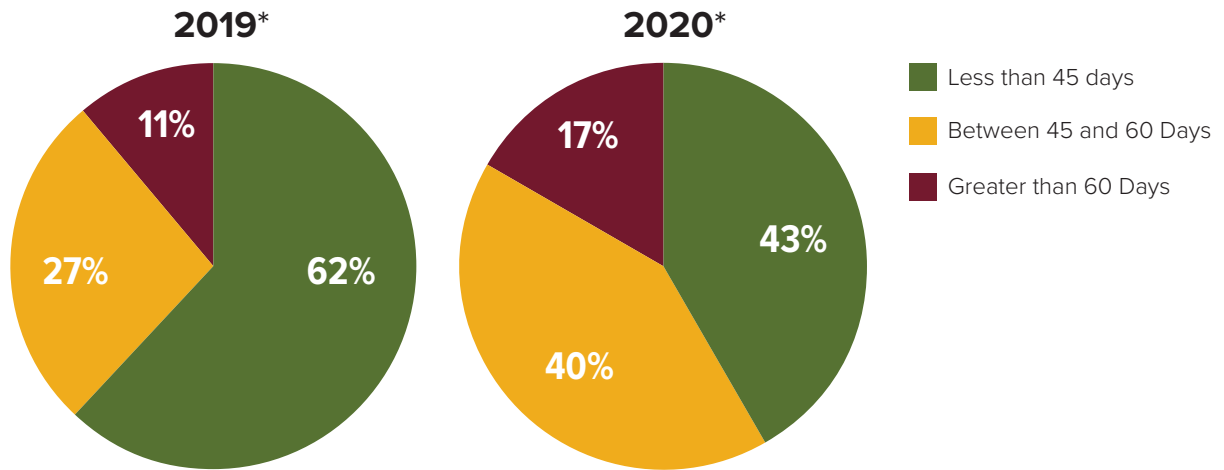




Appendix

Goal 1: Customer Service and Experience

First Payment for New Retirees



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



3%

Initial disability retirement determinations completed within **6 months of application**

Target: >80% completed within 6 months of application. (through 12/30/2020)



84.4%

Average New Retirees Satisfaction Score

Target: Satisfaction of new retirees surveyed > 80%. (Jan-Dec 2020 surveys)

* As of 12/31/2020



Appendix

Goal 2: Stakeholder Communication and Outreach

Employer Forum



100%

“Agree” or
“Strongly Agree”
on Presentation
Effectiveness

4.6/5

Average Score*

Target: Effectiveness of presentations
to members and employers;
Satisfaction > 80%.

Pension Planning Webinars



90%

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

3.7/5

Average Score**

* January 2020 Employer Forum

** Aug, Oct and Dec 2020 pension planning webinars

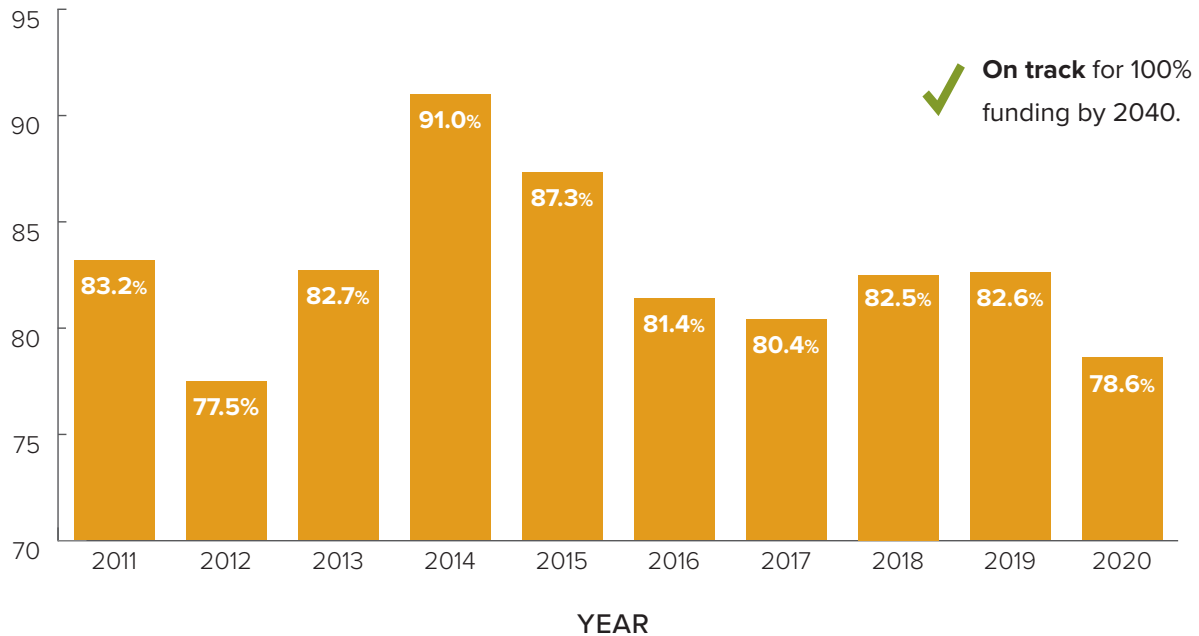


Appendix

Goal 3: Funding Integrity and Sustainability

Funded Status

Funding Ratio (2011-2020 – Ended June 30)



Target: 100% funded by 2040.

Budget Status

2%

Reduction for 2020-21

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

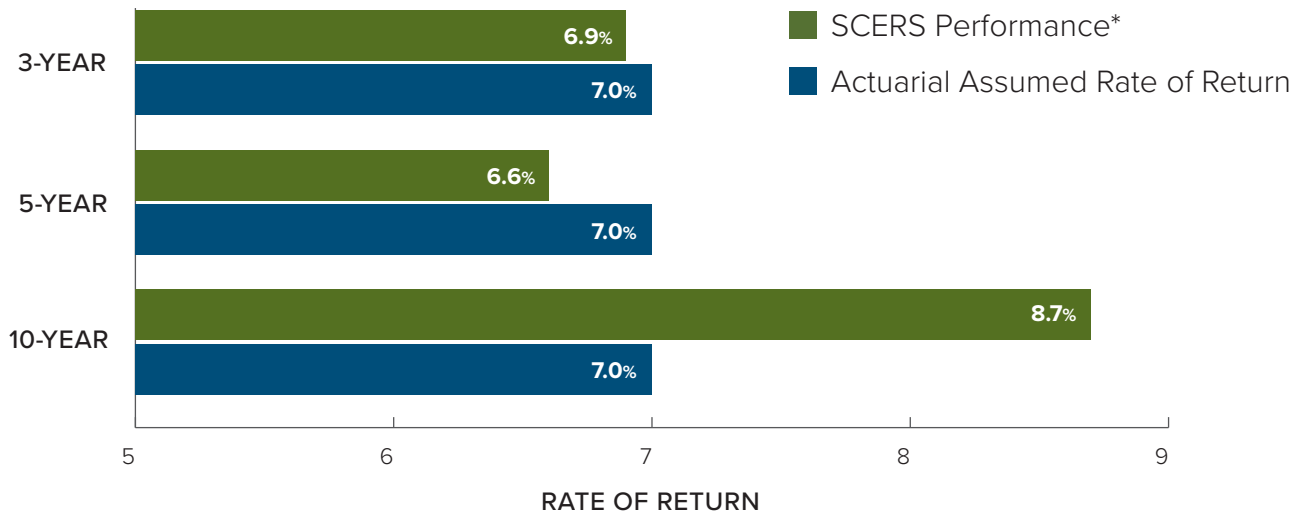


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Goal 4: Investment Planning and Growth

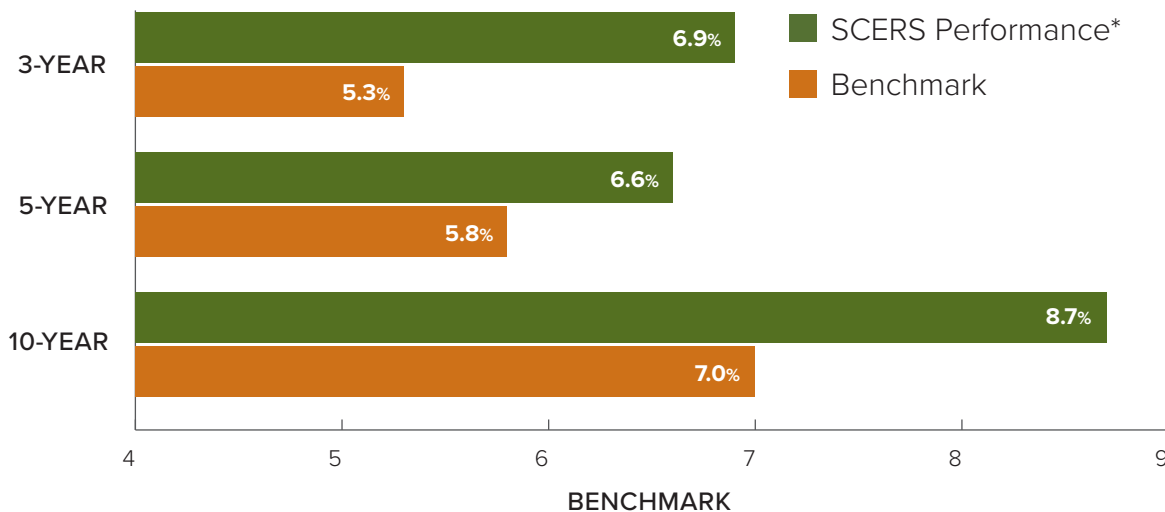
Rate of Return (Over 3-, 5-, 10-year periods)

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 6/30/2020

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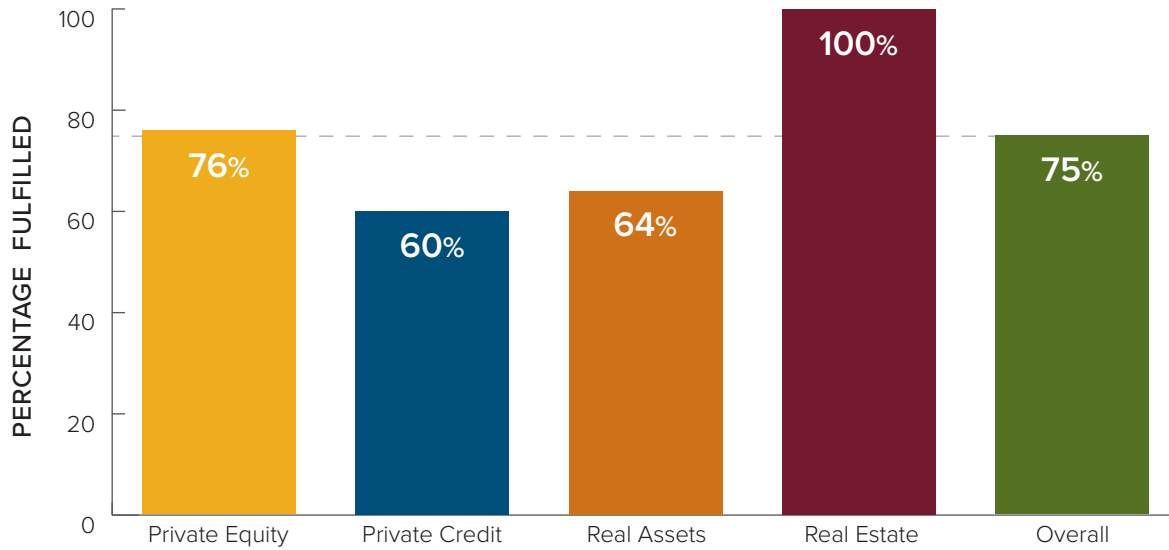


Appendix

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.



InvMetrics Public DB > \$1B Gross Median.

* As of 12/31/2020



Appendix

Goal 5: Organizational Development and Culture



15.6%

Average Staff Vacancy Rate*



Target: Staff vacancy rate < 10%.

Performance Evaluations (Annual)

78%

Delivered on time

95%

Delivered within 1 month of anniversary



Target: 95% of performance evaluations completed on time (on or before work anniversary).



83%

Employee Satisfaction



Target: Overall satisfaction of employees surveyed > 80%. (October 2020 survey)



10

Board Education Sessions



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

* Through 12/31/2020



Appendix

Goal 6: Enterprise Capability and Technology

Legacy Systems Replacement

✓ **On schedule**
✓ **On budget**

0%
Contingency
Budget Spent*

Target: Legacy systems replaced by end of 2021 without spending contingency budget.



Successfully maintained benefit payments and services during pandemic.

Target: Document and annually test Continuity of Operations Plan.

* Through 12/31/2020