

STRENGTHENING OUR FOUNDATION FOR THE FUTURE:
SCERS' STRATEGIC PLAN 2014 - 2018



INTRODUCTION

Since its creation in 1941 as a defined benefit retirement system under the County Employees' Retirement Law of 1937 (1937 Act), the Sacramento County Employees' Retirement System (SCERS) has been committed to the highest level of professionalism in meeting its duties and responsibilities to SCERS' members, retirees and beneficiaries, participating employers, and other stakeholders. As those duties have increased in breadth and complexity over time, SCERS has continued to evolve to assure that we are properly positioned to and continually focused on meeting our fiduciary responsibilities with respect to the management of the retirement system. As detailed in the materials that follow, SCERS' strategic plan for the next four years is the next iteration in SCERS' evolution, intended to sustain and build upon the success SCERS has achieved by strengthening our foundation for the future.

FUNDAMENTAL PREMISES

Consistent with our Mission Statement and Core Values, the SCERS Board adopts this Strategic Plan to help guide us toward an even stronger future. The Goals and Objectives articulated in our Strategic Plan are organized around six fundamental areas of SCERS' operation, as follows:

1. Funding Policies and Practices
2. Investment Program
3. Service Delivery
4. Fiscal Responsibility
5. Risk Management
6. Aligning Authority with Responsibilities

The Strategic Plan was developed in coordinated sessions involving all members of the Retirement Board and the senior staff of SCERS. The overarching principles and the focus for this Strategic Plan build on our Mission Statement and Core Values so that we can apply them to the work we undertake every day to make SCERS successful:

Mission Statement

We are dedicated to providing the highest level of retirement services and managing system resources in an effective and prudent manner

Core Values (commentary added)

- ***The highest levels of professionalism and fiduciary responsibility***
As pension administration and investment become more complex, the ability of SCERS' to maintain a high quality operation and produce results that benefit all stakeholders will depend on having the ability to hire excellent staff and obtain all services necessary to meet the growing complexity.
- ***Acting with integrity***
SCERS' commitment to integrity includes high levels of transparency, maintaining accountability, avoiding conflicts of interest, and a focus on taking the steps necessary to meet SCERS' fiduciary responsibilities.

- Competent, courteous and respectful service to all**
 SCERS recognizes that in a broad sense “service” is provided to not only the members of the system, but also to participating employers, those doing or seeking to do business with SCERS, the general public, and SCERS employees themselves.
- Open and fair processes**
 The importance of transparency extends to all aspects of SCERS’ operation, and must be cultivated with respect to all types of activities in which SCERS engages.
- Safeguarding confidential information**
 The value to be gained from the use of rapidly advancing technology must be accompanied by increased protection against illicit and non-permitted access to and misuse of confidential information.
- Cost-effective operations**
 As pension plan operations and investing grow increasingly complex it is all the more important to use resources in all areas prudently, and to be cognizant that cost-effectiveness is measured not just by the level of expenditures made but also by the results produced by those expenditures.
- Stable funding and minimal contribution volatility**
 SCERS does not have control over the principal drivers of benefit costs, which are the benefit promises made, the salaries paid to members of the plan, and overall economic and financial market conditions, but SCERS is committed to using the tools available to it in a prudent, reasonable and timely way to assist in managing ongoing costs.
- Effective communication and helpful education**
 Effective communication of important information about the plan not only helps SCERS’ members and stakeholders to understand the plan, how it operates, and the issues that impact it, but also provides a means to assure that SCERS is meeting its responsibilities.
- Maintaining a highly competent and committed staff**
 Increasing complexity and sophistication in pension and investment operations require correspondingly qualified staff to protect SCERS’ interests and assure favorable outcomes. SCERS must be able to compete effectively with other employers for those highly qualified individuals, and take the necessary steps to keep the staff properly trained, motivated and committed to achieving SCERS’ goals and objectives.
- Continuous Improvement**
 SCERS’ ongoing commitment to be a ‘best in class’ public pension fund is embodied in the goals and objectives of the Strategic Plan. While the plan will be implemented over a multi-year period, progress will be reviewed annually, and measured against appropriate quantitative and qualitative performance benchmarks.
- Planning Strategically for the Future**
 Our Strategic Plan is designed to support and advance SCERS’ Core Values by identifying areas where SCERS will seek to sustain its success to-date, improve its operation, prepare for the future, and periodically refresh those efforts.



GOAL ONE: FUNDING POLICIES AND PRACTICES

Maintain prudent and effective funding policies and practices that assist in producing low pension cost volatility.

Objectives

- Maintain a reasonable and prudent long-term actuarial investment return assumption that is consistent with long-term market expectations.
- Maintain an investment portfolio designed to meet that target return, and which is tailored to the liabilities to be funded.
- Fund a Contingency Reserve that is sufficient to help stabilize employer contribution rates.
- Maintain prudent and current actuarial methods and assumptions.
- Prudently exercise discretion regarding actuarial tools and financial management to reduce pension cost volatility, while maintaining inter-generational cost equity.

GOAL TWO: INVESTMENT PROGRAM

Maintain an investment program that targets performance that exceeds SCERS' portfolio benchmark over time, and which mitigates and carefully manages investment risks, including market volatility.

Objectives

- Establish custom-crafted solutions that meet SCERS' investment needs, and which provide access to the specialized expertise necessary in complex investment markets.
- Identify areas of the investment portfolio where active engagement with the investment manager or investment strategy by staff and consultants will add value.
- Dynamically adjust the investment portfolio, within the parameters of the asset allocation model, as needed based on the status of the investment market cycle.
- Assure that the interests of investment service providers are aligned with SCERS' investment interests and goals.
- Establish a robust capability to understand, monitor and manage sources of risk in the portfolio.
- Establish an investment portfolio that mitigates against large draw-downs.
- Maintain a governance structure for the investment program that delegates to staff and consultants the ability to make prudent and timely investment decisions with a high level of accountability to the Board.
- Provide regular reports and education regarding status of and evolution of SCERS' investment program.



GOAL THREE: SERVICE DELIVERY

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

Objectives

- Establish a baseline for customer service performance, measures to enhance customer service, and quantitative and qualitative standards for ongoing evaluation of customer service.
- Develop enhanced technological platforms capable of providing more '24/7' participant services, including self-service mechanisms.
- Modernize the process, tools and practices for administering benefits, while maintaining appropriate person-to-person service capabilities.
- Establish a program of education and training that prepares staff to provide high quality customer service in a timely, efficient and accurate manner.
- Expand the menu of communication tools and out-reach programs to assist and educate SCERS' participants about their benefit plan.
- Provide regular reports on and training regarding SCERS' benefit plan to participating employers.

GOAL FOUR: FISCAL RESPONSIBILITY

Maintain a cost structure that is both prudent and provides a high level of performance, with robust financial and operational disclosure.

Objectives

- Maintain administrative and investment expenses at levels that are prudent and cost-effective, but that also assure SCERS' ability to meet its investment, benefit administration and operational goals.
- Assure high quality fiscal analysis and reporting, and make that information readily accessible to SCERS' stakeholders.
- Evaluate opportunities to update financial systems and tools to enhance analysis and reporting to internal and external customers.
- Establish, where appropriate, SCERS' capability to address its own financial management and operational needs.
- Maintain a program for the annual evaluation of all SCERS' staff, and for self-appraisal and evaluation of the Board.



GOAL FIVE: RISK MANAGEMENT

Enhance SCERS' risk awareness and risk management.

Objectives

- Develop and maintain an inventory of organizational risks.
- Protect the security of SCERS' data against internal and external breaches.
- Expand SCERS' oversight capability through development of an internal audit capacity.
- Enhance SCERS' investment risk management by developing an investment operational due diligence capacity, independent of SCERS' investment consultant and strategic investment partners.
- Maintain a strong disaster recovery and business continuity plan.
- Regularly consult with SCERS' participating employers regarding the employers' fiscal condition, and conduct 'stress tests' on the potential impact on SCERS should an employer or employers fail in meeting their financial obligations to SCERS.
- Develop and maintain a succession plan for key SCERS' staff.

GOAL SIX: ALIGNING AUTHORITY WITH DUTIES

Maintain SCERS' ability to successfully address its fiduciary responsibilities by assuring that SCERS has the authority necessary to execute on those responsibilities.

Objectives

- Assure that SCERS' has the ability to properly manage the organization through:
 - Establishing appropriate staff structures
 - Establishing appropriate compensation structures and levels
 - Implementing all human resources tools required to attract and retain the skilled, educated personnel required of a modern pension organization
 - Establish a cost-effective program for rewarding performance of SCERS' personnel and aligning rewards with SCERS' goals
- Align authority of SCERS-with the responsibilities assigned to it by:
 - Identifying areas where SCERS' authority may not match its responsibilities.
 - Developing options for ameliorating or eliminating any mismatch of responsibility and authority.
 - Working with relevant stakeholders and policymakers to implement those options.



