

SCERS

# Strategic Management Plan

2021 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 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 2021 was partially affected by the challenging circumstances facing all organizations in response to the various stages of the pandemic, although through it all our focus remained fixed on member responsiveness and the improvement of service-level performance.

Some of last year's accomplishments we are most proud of include:

- Commemorating our 80th anniversary milestone throughout the year in newsletter features, branded materials, and with a large timeline to be installed in a SCERS conference room in early 2022.
- Reopening the office for member appointments, and returning to in-person Board meetings.
- Closing the gap in our funded status from 79% last year to more than 94% funded as of June 30, 2021 -- keeping the plan on track to reach fully-funded status in 20 years.

- Connecting with members and employers through retirement planning webinars, educational videos, expanded web content, and an employer forum held remotely.

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.

Although the state of the pandemic is uncertain, what is certain is that we will continue 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 year 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

### 2021 Key Accomplishments

- ✓ Focused on member responsiveness in remote/hybrid environment
- ✓ Cleared retirement application backlog
- ✓ Reopened office for member appointments
- ✓ Re-engineered business processes to streamline and improve service level performance

### 2022 Key Initiatives

- Roll out member self-scheduling system for retirement appointments
- Maintain service-level performance during continuing stages of IT system implementation
- Launch new member online portal

### White Board: Future Projects

- ▶ Continue to expand online tools for employees and employers
- ▶ 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

### 2021 Key Accomplishments

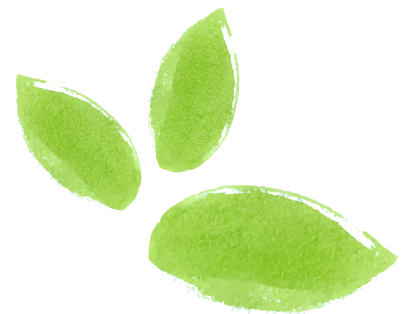
- ✓ Commemorated SCERS' 80th anniversary
- ✓ Further expanded web-based education materials and videos, and expanded webinars for members and employers
- ✓ Provided timely information to members and employers regarding COVID impacts and policies, and the *Alameda* ruling

### 2022 Key Initiatives

- Conduct outreach campaign to register members/retirees on MySCERS member portal
- Build on employer services program and roll out employer portal
- Evaluate process changes enabled by member portal (Go Green initiative -- member notices, monthly statements, 1099Rs, newsletters)

### White Board: Future Projects

- ▶ Expand Retirement Planning Webinars; early, mid-year, and advanced career
- ▶ Increase partnership with employers on retirement planning, financial literacy
- ▶ Develop additional member education videos





# 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

### 2021 Key Accomplishments

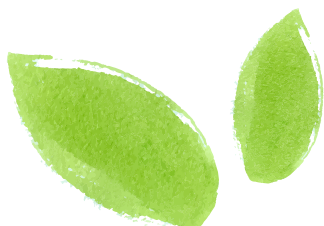
- ✓ Updated key policies: Actuarial Funding Policy, Interest Crediting Policy, Subrogation Claims Policy
- ✓ Produced 3rd annual “risk report” that analyzed contribution rate volatility and funding sensitivity
- ✓ Adopted “flat” operating budget
- ✓ Implemented path forward following *Alameda* ruling on court-mandated benefit corrections and contribution refunds

### 2022 Key Initiatives

- Complete *Alameda* benefit corrections
- Complete and present actuarial audit
- Support final compensation and service credit policies in DSA lawsuit

### 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

### 2021 Key Accomplishments

- ✓ Concluded Alternative Assets Consultant RFP process; retained Cliffwater
- ✓ Conducted Enterprise Risk Tolerancy Survey and Asset Liability Modeling study; made minor adjustments to Strategic Asset Allocation
- ✓ Issued RFP and evaluated proposals for portfolio analytics and risk-management software services

### 2022 Key Initiatives

- ❑ Retain firm to provide portfolio analytics services
- ❑ Adjust market exposures of asset categories to align with the new strategic asset allocation
- ❑ Finalize plans to conduct fiduciary “health check” of investment contracts

### White Board: Future Projects

- ▶ Develop pathway for secondary partnerships
- ▶ Review cash-management policy and practices





# 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

### 2021 Key Accomplishments

- ✓ Transitioned to hybrid and back-to-office schedules without significant business disruption
- ✓ Finalized tenant improvement plan for office refresh
- ✓ Incorporated mission, vision, core values into day-to-day work and training

### 2022 Key Initiatives

- Launch Telework 2.0 for future remote work capability
- Fill key vacancies
- Continue reviewing organization/staffing changes to improvement alignment with new business processes

### White Board: Future Projects

- ▶ Build out on-the-job training program





# 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

### 2021 Key Accomplishments

- ✓ Completed business process transition
- ✓ Added additional support for testing, training, data clean-up
- ✓ Completed data clean-up

### 2022 Key Initiatives

- Ensure successful Phase 3 launch in mid-2022
- Develop comprehensive performance management reporting
- Debrief on pandemic response and revise disaster planning

### White Board: Future Projects

- ▶ Continuously improve performance dashboards/ performance reporting
- ▶ Close out Pension Administration System with enhanced online, self-service features



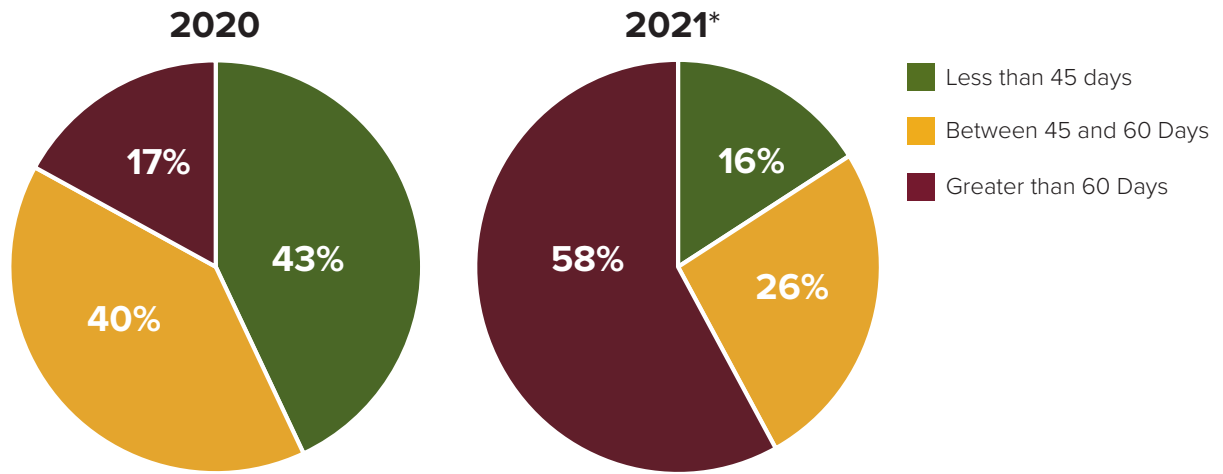




# Appendix

## Goal 1: Customer Service and Experience

### First Payment for New Retirees



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



**68%**

“Satisfied” or  
“Very Satisfied”  
with SCERS

**3.7/5**

Average Score\*

\* As of 12/31/2021



# 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



**89%**

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

**3.8/5**

Average Score\*\*

\* January 2021 Employer Forum

\*\* March, May, July and September pension planning webinars



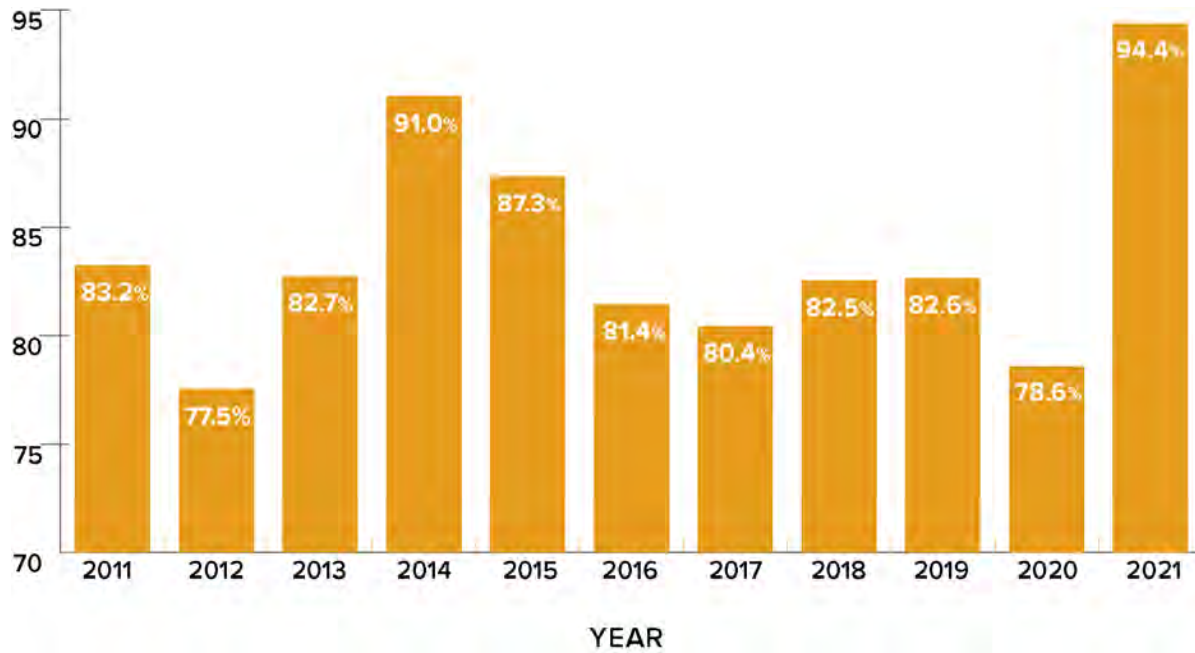
# Appendix

## Goal 3: Funding Integrity and Sustainability

### Funded Status

Funding Ratio (2011-2021 – Ended June 30)

✓ On track for 100% funding by 2040.



Target: 100% funded by 2040.

### Budget Status

1%

Increase for 2021-22

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

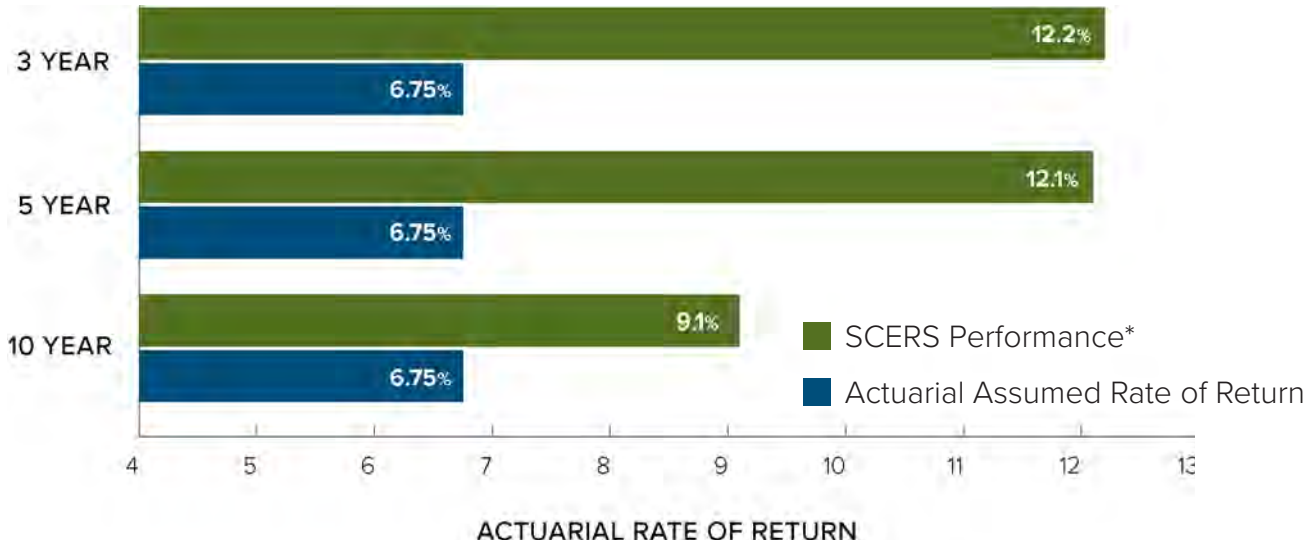


# Appendix

## Goal 4: Investment Planning and Growth

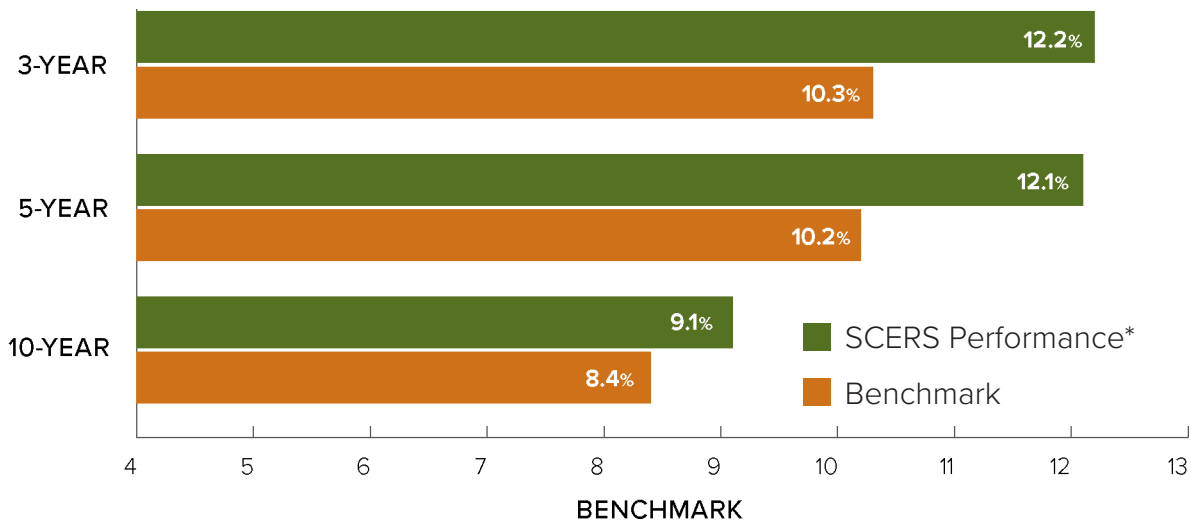
### Rate of Return (Over 3-, 5-, 10-year periods)

**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 6/30/2021

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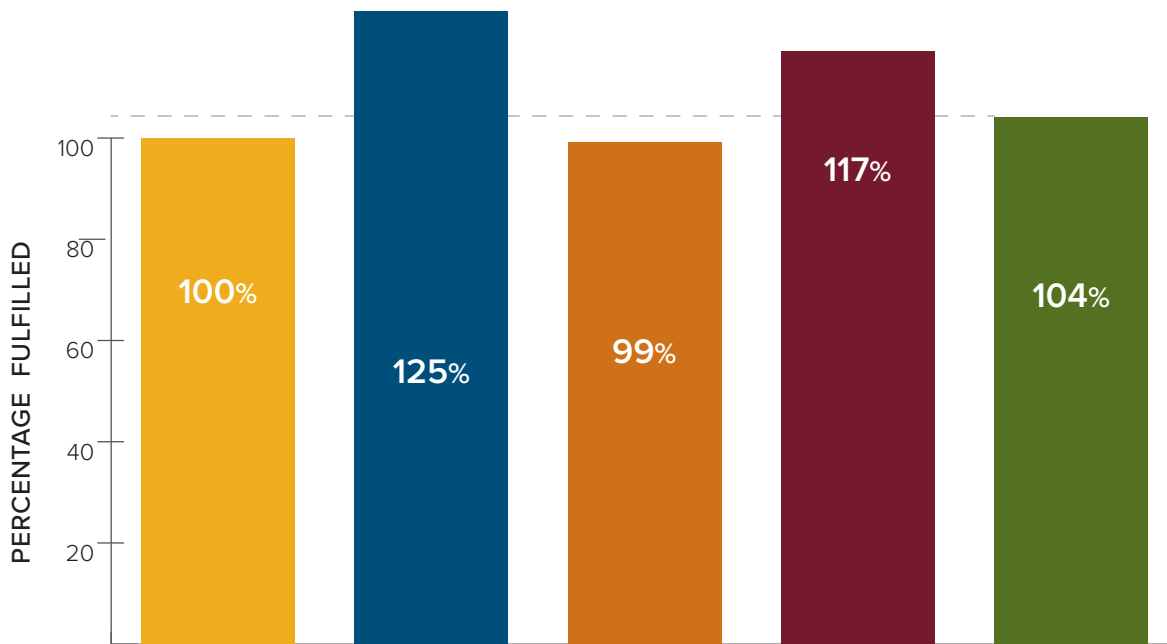


# Appendix

## 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.



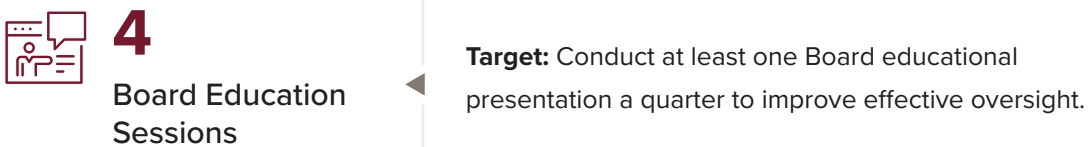
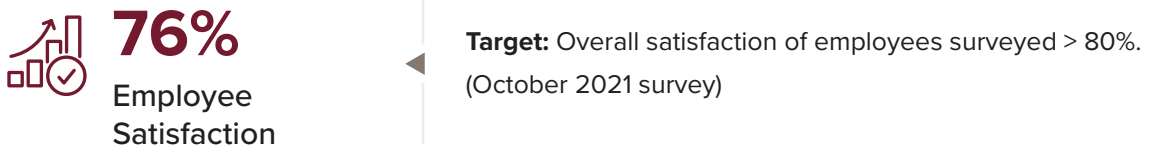
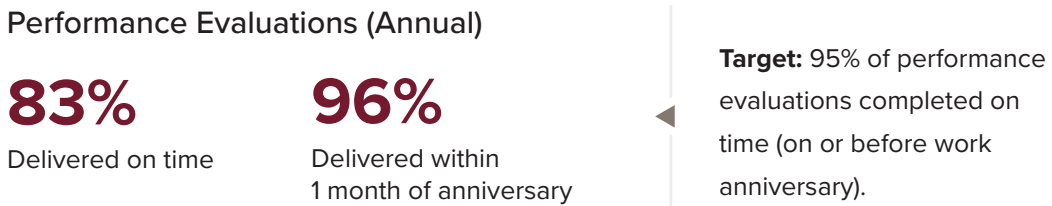
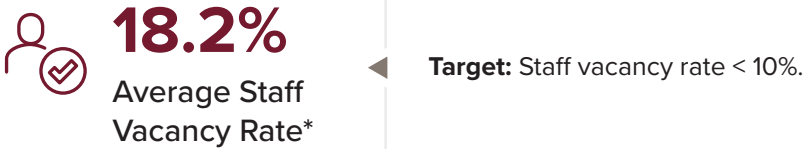
InvMetrics Public DB > \$1B Gross Median.

\* As of 12/31/2021



# Appendix

## Goal 5: Organizational Development and Culture



\* Through 12/31/2021



# Appendix

## Goal 6: Enterprise Capability and Technology

### Legacy Systems Replacement



Schedule extended to Spring 2022

**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.