



NOTICE OF PUBLIC MEETING

To: Strategic Planning Committee:
Jim DeMartini, Chair
Sam Sharpe, Trustee
Michael O'Neal, Trustee

From: Kathy Herman, Fiscal Services Manager

SUBJECT: StanCERA Strategic Planning Committee

The Strategic Planning Committee will meet at 11:00 a.m., Tuesday, November 15, 2016.

The Committee will meet in the Wesley Hall Board Room at StanCERA's Office, located at 832 12th Street, Suite 600, 6th Floor, Modesto.

AGENDA

1. Discussion and Action Regarding the 2017-2019 Strategic Plan [View](#)



November 15, 2016

Retirement Board Agenda Item

TO: Strategic Planning Committee

FROM: Rick Santos, Executive Director

I. SUBJECT: 2017-2019 Strategic Plan

II. ITEM NUMBER: 1

III. ITEM TYPE: Discussion and Action

IV. STAFF RECOMMENDATION: Approve the 2017-2019 Strategic Plan

V. ANALYSIS: In March, the Strategic Planning Committee and StanCERA Board of Retirement approved staff's recommendation to retain the 4 high level Organizational objectives developed in 2013 and bring back to the Committee an action plan related to those objectives. This agenda item represents the 2017-2019 Strategic Plan with the action plan.

After the Committee approves this 2017-2019 Strategic Plan, staff will lay out specific deliverables meant to achieve all actionable items over the next 3 years. The deliverables will be completed by the end of the year and will be incorporated into the Executive Director goals between 2017 and 2019 and reported on each quarter.

VI. RISK: None

VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.

VIII. ADMINISTRATIVE BUDGET IMPACT: None

Rick Santos, Executive Director

Kathy Herman, Fiscal Services Manager



Strategic Objective #1

Invest StanCERA assets in such a way that efficiently maximizes the ability to meet current and future benefit obligations while balancing the need for contribution stability and sustainability

Background

StanCERA understands that the first priority of the system is the timely payment of all benefit obligations. In this context, pension risk should be defined as the ability of StanCERA to meet its contractual promises to its members. It is also understood that StanCERA's plan sponsors have limited resources with which to make contributions to the System. As a result, StanCERA believes assets that produce cash flows similar in timing and size to the required benefit obligation is the most efficient and effective way to minimize pension risk and stabilize required plan sponsor contributions. StanCERA also understands that the ability to maintain contribution sustainability relies heavily on current capital market conditions.

Strategy

StanCERA's strategy to meet this strategic objective is driven by a balance between the economic environment and the plan sponsor's ability and desire to minimize pension risk with the general understanding that when the level of interest rates is low, the cost to minimize pension risk is high. As a result, StanCERA adopts the following strategies:

- I. Maintain awareness of current economic costs, conditions and risks
- II. Create awareness of the advantage of a rising interest rate environment
- III. Communicate with plan sponsors
- IV. Efficiently manage the internal cash flow process

Desired Outcome

The desired outcome is to create a pension system that is stable and sustainable. Plan sponsor financial position, the general level of interest rates in the economy, current capital market conditions and an understanding of the timing and magnitude of cash flows into and out of the system will enhance the Organization's ability to achieve this outcome.

Strategic Plan Objective #1: Action Plan with Deliverables

1. Implementation of Functionally Focused Portfolio Concept
2. Consult regularly with plan sponsors regarding salary and retirement projections
3. Consult regularly with plan sponsors regarding pension contribution projections
4. Monitor and assess capital market expectations on a continual basis
5. Maintain awareness of the cash flow process



Strategic Objective # 2

Develop efficient and effective processes for the evaluation, monitoring and disposition of StanCERA's active managers

Background

Over time, capital markets have become increasingly more efficient while the ability of an active manager to consistently outperform has become more difficult. Further, as System assets and the number of different asset types grow, so does the need for enhanced investment governance and the ability for StanCERA to efficiently and effectively assess and monitor the performance of its active managers.

Strategy

- I. Maintain an understanding and awareness of the asset allocation process and how asset classes work in the aggregate to form an optimal portfolio
- II. Develop and maintain an understanding of each manager's thesis and the ability to assess whether StanCERA's active managers are working within their thesis
- III. Develop internal StanCERA staff to play a greater role in the reconciliation, reporting and assessment process
- IV. Continue to develop and augment current internal quarterly reporting standards

Desired Outcome

The intent of this objective is to enhance StanCERA's understanding and assessment of the investment process and those that are managing it while keeping ambiguity regarding manager performance to a minimum. Additionally, the development of StanCERA's internal resources dedicated to the investment process will enhance the Organization's fiduciary responsibility to its stakeholders.

Strategic Plan Objective #2: Action Plan with Deliverables

1. Maintain and improve the comprehensive internal investment governance process
2. Maintain a comprehensive internal investment data repository
3. Develop and maintain auxiliary performance reporting
4. Provide StanCERA staff opportunities to enhance their knowledge regarding the investment governance process



Strategic Objective # 3

Continue to foster an organizational culture that values and promotes team work, education, awareness, accountability and achievement.

Background

The defined benefit that StanCERA administers is a valuable asset and a critical part of the compensation package that has been promised to its members. At the same time, it's important to understand the needs and constraints of our stakeholders. As an organization, StanCERA has been fortunate to maintain stable staffing. However, the demographics and growth of the organization promises to challenge this stability. Fostering an organizational culture that values and promotes teamwork, education, and awareness, demonstrates that we value our own human resources, ensuring our stakeholders' needs continue to be met.

Strategy

- I. Optimize StanCERA's organizational resources
- II. Ensure organizational quality and performance through continuous improvement
- III. Identify potential programs that will enhance skills and advance development of staff
- IV. Foster an organizational culture that values and promotes teamwork

Desired Outcome

The intent of this objective is to preserve an agency that leads with transparency and promotes teamwork throughout and to foster an environment of creativity while maintaining accountability and personal responsibility. Additionally, the objective seeks to enable StanCERA staff by providing the knowledge and the skills necessary to fulfill the benefits that have been promised to all of its members as well as preparing staff for future challenges and professional opportunities.

Strategic Plan Objective #3: Action Plan with Deliverables

1. Train for succession planning to prepare for StanCERA's future and continue to cross-train staff to optimize efficacies for staffing level fluctuations.
2. Standardize communication and establish a formal peer-review process for internal and external documents and external communications.
3. Develop and implement an educational policy and plan for staff.
4. Develop and implement a team-building action plan.



Strategic Objective # 4

Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.

Background

As the system continues to grow, both demographically and financially, enhanced communication and interaction with stakeholders will be essential. On October 10, 2014 the Board of Retirement approved a 10 year Strategic Growth Plan including multiple information technology solutions to further StanCERA's commitment to this objective. The Strategic Growth Plan also addressed StanCERA's need for succession planning and shed light on some vulnerabilities that could affect the Organization's ability to administer the System effectively and efficiently.

Strategy

- I. Enhance StanCERA technology in order to optimize our human resources and productivity
- II. Expand technology to provide and encourage stakeholder education and awareness.
- III. Prepare and plan for key employee exits over the next 5 years.

Desired Outcomes

The intent of this objective is to enhance stakeholder awareness, understanding and comfort with the investment and benefit process through training and communication. Additionally, implementation of the 10 year Strategic Growth Plan will enable us to effectively and efficiently serve StanCERA stakeholders well into the future.

Strategic Plan Objective #4: Action Plan with Deliverables

1. Implementation of Electronic Member Filing Content Management System
2. Enhance stakeholder education and communication opportunities
3. Substantial completion of Pension Software System implementation
4. Design and rollout of improved StanCERA website
5. Create an organizational structure that maximizes recruitment potential and encourages staff development for future leadership positions