



San Diego County Employees Retirement Association

Strategic Plan

2022-2024

Includes SDCERA's:

- Vision, Mission and Core Values
- Strategic Objectives
- Annual Business Plan Fiscal Year 2021-22



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Introduction

This Strategic Plan outlines the vision, mission, core values and strategic objectives of SDCERA. The Annual Business Plan includes the specific strategic initiatives planned in the upcoming fiscal year to achieve SDCERA's strategic objectives.

The vision sets forth SDCERA's business aspiration, in other words, what we strive to achieve.

Consistent with the County Employees Retirement Law of 1937 (CERL), the mission defines why SDCERA exists, and our approach to completing the mission.

SDCERA's Core Values are the guiding principles and underlying convictions that influence our attitudes and behaviors in pursuing our mission.

The strategic objectives are the long-term results that SDCERA aims to achieve.

These elements of the Strategic Plan should not routinely change, and will be reviewed every three years.

The Annual Business Plan contains the strategic initiatives that SDCERA plans to accomplish each year which are derived from the strategic objectives. The resources necessary to accomplish these initiatives will be included in the proposed annual budget.



Vision, Mission and Core Values

Vision

To be a highly trusted and respected pension system that reliably administers benefits.

Mission

Administer the retirement system in a manner that ensures accurate and prompt delivery of benefits to members and beneficiaries with prudent stewardship of trust fund assets to minimize the risk of loss and maximize the rate of return.

Core Values

Integrity - Being honest, trustworthy, ethical and respectful in all aspects of serving our members

Accountability & Transparency - Ensuring that we conduct business in an open and clear manner, being accountable for our conduct and actions

Stewardship - Our fiduciary responsibility to our members is fundamental

Commitment - Approaching our work with enthusiasm, competency, and professionalism



Strategic Objectives

Trust Fund Sustainability

Sustainability means managing an investment program - comprised of employer and employee contributions, investment returns, benefit payments, and investment expenses - that will maintain the diversification of Trust Fund assets and gain exposure to the long-term growth of the economy while minimizing the risk of loss and maximizing returns.

SDCERA will:

- ◆ Maintain sufficient liquidity to pay members and their beneficiaries on time
- ◆ Follow the Board-approved Investment Policy Statement (IPS)
- ◆ Analyze and recommend to the Board a Trust Fund asset allocation
- ◆ Implement the Board-approved asset allocation efficiently with full transparency as to liquidity, risk, and expenses
- ◆ Maintain the diversification of Trust Fund assets to gain exposure to the long-term growth of the economy and minimize risk of loss
- ◆ Exercise prudent judgment in making investment decisions based upon the prevailing law, long-standing and accepted investment theory, and rigorous analysis of the evidence
- ◆ Maintain awareness and knowledge of changes in the global economy, financial markets, and regulatory regimes that affect the Trust Fund



Strategic Objectives

Effective Administrative Governance

Effective administrative governance is essential for SDCERA to meet its mission. SDCERA will focus on the following areas of administrative excellence:

- ◆ Records management
- ◆ Business continuity planning
- ◆ Data analytics for continuous improvement
- ◆ Effective SDCERA staff support for the Board of Retirement so it may fulfill its fiduciary responsibility
- ◆ Strong internal control environment, including:
 - Documented policies and procedures
 - An effective audit function
 - Periodic risk assessments
 - Compliance monitoring



Strategic Objectives

Excellence in Providing Member Service

SDCERA strives to provide superior customer service and ensure a positive member experience. SDCERA will provide:

- ◆ Timely and accurate benefit payments
- ◆ Effective communication and education to our members
- ◆ A customer service culture that fosters a positive member experience

High Performing Workforce

SDCERA employees are essential to the achievement of our strategic objectives. A highly trained and motivated workforce will improve productivity and efficiency. SDCERA endeavors to:

- ◆ Attract, develop and maintain a skilled and adaptable workforce
- ◆ Provide a safe and secure workplace for our employees
- ◆ Create a culture of collaboration, diversity and inclusiveness



Strategic Objectives

Modernization of Information Technology

A modern information technology environment provides many advantages including increased security, reliability, innovation and faster and more effective communication with our membership.

SDCERA will work to:

- ◆ Ensure a robust, secure and reliable information technology network
- ◆ Assess available technologies and applications to increase efficiencies in operations and improve customer service



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SDCERA's Annual Business Plan includes the following strategic initiatives to make progress towards the strategic objectives outlined in this Strategic Plan:

Trust Fund Sustainability

1. SDCERA Transfer-to-Core Real Estate Program

In 2017, the Investment Division began market and legal research to evaluate the benefits of holding very successful real estate projects as long-term investments versus the traditional process of developing or redeveloping properties, selling them, realizing gains, and then reinvesting the sales proceeds into new real estate projects. At the March 21, 2019 Board Retreat, we reviewed the SDCERA Real Estate Transfer-to-Core Program, explaining the transfer-to-core concept and why it benefits the Trust Fund and describing the mechanical process of transferring real estate development investments to core long-term Trust Fund holdings.

The benefits of transferring a successful real estate project to a long-term core holding are (1) there is no reinvestment risk: the money stays in the high-yielding asset for an extended period and (2) over time SDCERA can assemble a real estate portfolio of high-quality assets with cash-on-cash returns in excess of 7%. This portfolio would be managed by SDCERA's real estate managers as long-term core holdings.

In Fiscal Year 2022, we expect to implement the Transfer-to-Core program.



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Trust Fund Sustainability

2. Trust Fund Liquidity and Securities Lending

One of the main responsibilities of the Investment Division is to maintain sufficient liquidity in the Trust Fund to pay members and their beneficiaries. The Investment Division does this through the management of the Trust Fund's cash and short-term asset portfolios, and holding U.S. Treasury securities, which are the most liquid securities in stressed markets and typically in high demand.

SDCERA's cash investments are managed by our custody bank, BNY Mellon in the Short Term Investment Fund (STIF), in accordance with the investment management guidelines governing the management of these investments. BNY Mellon also administers SDCERA's securities lending program, whereby certain public market securities are lent by BNY Mellon to borrowers in exchange for cash or non-cash collateral. The fees charged to these borrowers as well as the income from investment of the cash collateral provide incremental revenue to SDCERA, averaging almost \$500,000 per year over the last five fiscal years.

In Fiscal Year 2022, the Investment Division will analyze the current investment management guidelines for cash investments as well as the guidelines currently in place for the securities lending program to determine whether there are ways to increase the returns of the cash investments and securities lending program while minimizing risk and maintaining the same amount liquidity to pay Members and their beneficiaries.



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Effective Administrative Governance

1. Upgrade/Replace Electronic Document Management System

SDCERA's Electronic Document Management System has been in place for over 20 years. SDCERA will replace or upgrade our document management system to take advantage of newer technologies such as electronic signatures, automated workflow management, and other automated systems integration technologies to improve organizational efficiency by reducing manual entry, improving scan image quality, and allowing other data input methods. These changes will improve document organization, enhance retention management, and improve document archiving and viewing.

2. SDCERA Business Insurance

Historically, SDCERA has self-insured for most business insurance needs, meaning that the system does not carry insurance but believes the trust fund has sufficient assets to bear any potential loss. While this may be true, it is not clear that this is the most prudent way to administer the system and the past year and a half has demonstrated that completely unexpected events, whether a global pandemic or an automobile crash-landing in an office, can and will happen.

In Fiscal Year 2022, staff will undertake a comprehensive review of business insurance products that may be appropriate for SDCERA, including cybersecurity, fiduciary liability, and business interruption/extra expense, to determine what policies, if any, may be desirable and at what cost. Once this review is complete, the results will be reported to the Board for further consideration.



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Effective Administrative Governance

3. Hiring of a Full-Time Internal Audit Director

After extensive analysis of different internal audit models, the Audit Committee approved the hiring of a full-time Internal Audit Director. This individual will continuously engage with operations and identify risk on a real-time basis. The Director will report administratively to the CEO and functionally to the Audit Committee. The Internal Audit Director will supplement their capabilities with the use of outside resources to conduct audits on a project basis in accordance with the annual risk assessment and annual audit plan. In Fiscal Year 2022, we will complete the recruitment and hire the new Internal Audit Director.



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Excellence in Providing Member Service

1. Member Portal

In Fiscal Year 2022, SDCERA will implement the first phase of a member portal that will allow members to access monthly earnings statements and annual 1099R forms online. The first phase will establish the security infrastructure and user administration features needed for future functionality enhancements including, but not limited to, submitting address and beneficiary changes, submitting retirement applications, modeling retirement outcomes, and viewing contribution and service credit balances.

2. Electronic Signature

The electronic signature project will enhance organizational efficiency and customer service by allowing members to submit legally binding electronic forms to SDCERA instead of sending physically signed forms. In Fiscal Year 2022, SDCERA will integrate existing forms with electronic signatures. In subsequent years, we will integrate the electronically signed forms with internal workflows further increasing operational efficiencies through programmatic automations and member status notifications.



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Excellence in Providing Member Service

3. Strengthen Our Customer Service Culture to Foster a Positive Member Experience

Members of SDCERA are very diverse demographically and in life experience. Creating a positive member experience requires identifying and taking into account member preferences, which are often influenced by age, experience, and geography.

In Fiscal Year 2022, member-facing SDCERA employees will be immersed in demographic information about our members to promote a common understanding of the people we serve. All of our service portals, including the telephone, emails, in-person, mail and the future online member portal must be consistent in the service provided. Areas of focus will include:

- * Review and update of all member forms
- * Enhanced customer service training for employees
- * Member feedback via Interactive Voice Response (IVR), website and member surveys
- * Expanded member service hours

4. Retiree Healthcare

Due in part to changes in the healthcare market, SDCERA's sponsored plans continue to experience declining enrollment and increasing premiums. In Fiscal Year 2022, SDCERA will analyze and explore various options for retiree healthcare to ensure members are well-served.



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Excellence in Providing Member Service

5. Effective Communication to Our Members

Members tell us what effective communication is through their response, engagement, and actions. In Fiscal Year 2022, an enterprise-wide communications strategy will be developed and include:

- * Capturing and confirming member personal email addresses
- * Targeted email communications to members including earnings statements, E-updates, annual member statements and other important information
- * Segmented member communication by member's status, tier, age, etc.
- * Reimagined retirement seminars for active and deferred members leveraging technology
- * Compiling response metrics including email open rates and activation



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Excellence in Providing Member Service

6. Key Performance Indicators and Measuring Success

Providing timely and accurate benefits is part of SDCERA's Mission and is directly connected to providing superior customer service and ensuring a positive member experience. To be successful, we must define success and develop metrics to evaluate our performance.

In Fiscal Year 2022, the Member Benefits Division and Member Service Center will evaluate and establish the key performance indicators within their respective areas and identify industry standards and best practices related to those key performance indicators. After determining key performance indicators and a baseline through industry standards, the Member Benefits Division and Member Service Center will create tracking systems and standardized reporting to measure their success.

This will lay the foundation for SDCERA's long-term goal of having a comprehensive electronic workflow system that automates the data collection and reporting processes to facilitate management via data analytics.



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High Performing Workforce

1. Employee Development Plans

Identification and facilitation of appropriate trainings for all staff is necessary in order to maintain a skilled and adaptable workforce. In Fiscal Year 2022, managers will develop robust training plans for their direct reports as part of the annual employee evaluation process so as to nurture, train and provide growth opportunities for employees.



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Modernization of Information Technology

1. Network Redesign

The SDCERA network is approximately 15 years old. Redesigning SDCERA networks will improve network security, monitoring, and server and application performance. Network redesign includes both the physical and wireless networks at the SDCERA offices as well as improving network performance for remotely connected workers. The network redesign will also improve reliability and security between SDCERA and the County of San Diego.

2. Active Directory Redesign

SDCERA's Active Directory service has been in place for over 20 years and has been modified periodically to manage SDCERA systems. Changes to hardware, software, and staff have added significant complexity. Active Directory will be redesigned to take advantage of new features and functionality that improve systems administration activities and security.

3. Upgrade Oracle Database

The Oracle database upgrade from Oracle 12c to 19c will allow SDCERA to maintain an Oracle supported license and will add additional security, encryption, and monitoring tools. These tools improve our ability to efficiently backup, restore, administer, monitor and protect PROMiS member data.



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Modernization of Information Technology

4. Multi-Factor Authentication Enhancement

Multi-Factor Authentication (MFA) is an increasingly important technology in the security program at SDCERA. This project will increase the number of factors needed to access the SDCERA network and systems. MFA allows SDCERA to verify access to our network, applications, and data using up to five industry standard security factors. The five security factors include:

- * Location – limits system access to specific locations (geographic or internet)
- * Time – limits system access during specific time frames
- * Knowledge – something the user knows like a password
- * Possession – something the user has like an encryption key or expiring code
- * Inherence – something the user inherits like a fingerprint or facial features

5. Exchange Upgrade

Upgrading SDCERA's Exchange system will allow us to improve user account management as well as improve the performance and security of our email systems that also integrates better with our Active Directory redesign project.



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Modernization of Information Technology

6. Server Redesign

Our server redesign project is the next step of architecting servers to better utilize the technologies now available due to our new off-site infrastructure. The server redesign will reduce the number of servers, improve performance, increase security, and lower overall costs. Server redesign is necessary to allow SDCERA to use newer software systems and server administration automations that are not available in our current server architecture.