



STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION  
832 12<sup>th</sup> Street, Suite 600  
Modesto, CA 95354  
MAIL: P.O. Box 3150 Modesto 95353-3150

Phone (209) 525-6393  
Fax (209) 558-4976  
www.stancera.org  
e-mail: retirement@stancera.org

October 4, 2013

## **NOTICE OF PUBLIC MEETING**

To: *Strategic Planning Objectives Committee:*  
Michael O'Neal, Chair  
Mike Lynch  
Gordon Ford

From: Rick Santos, Executive Director

**SUBJECT: StanCERA STRATEGIC PLANNING OBJECTIVES COMMITTEE MEETING**

The Strategic Planning Objectives Committee will meet at 1:00 p.m., Wednesday, October 9, 2013.

The meeting will be held in the Conference Room at StanCERA's Office, 832 12<sup>th</sup> Street, Suite 600, 6<sup>th</sup> Floor, Modesto.

### **AGENDA**

1. Discussion and Action to Accept the Recommendation of the Strategic Planning Committee on the 2014-2016 Strategic Plan [View](#)



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For the Strategic Planning Committee  
& Retirement Board Meeting  
Held on October 9, 2013

10/09/13  
Item #7.a

TO: Retirement Board

FROM: Kathy Herman, Operations Manager

- I. SUBJECT: Strategic Planning Update – 1<sup>st</sup> Draft
- II. ITEM TYPE: Action
- III. STAFF RECOMMENDATION: Accept the Strategic Planning Committee Recommendation
- IV. ANALYSIS: On March 26, 2013, the Board of Retirement approved the use of Cortex Applied Research (Tom Iannucci) for the 2014-2016 Strategic Planning Process, which has been outlined below.
  1. Facilitator meets one-on-one with each Board member and key staff
  2. One day educational/planning workshop to identify and prioritize a number of strategic or operational issues to be addressed in the foreseeable future (7/17/13)
  3. Cortex Applied Research provides a summary of identified issues to StanCERA. (7/29/13)
  4. Staff develops a strategic plan with high level objectives and strategies
  5. 1<sup>st</sup> draft is presented to the Committee for review and recommendation (10/9/13)
  6. Final draft is presented to the Committee for review and recommendation (10/22/13)
  7. Action plan with specific deliverables presented to the Board of Retirement (2/12/14)Originally the plan was to be in place by July 1, 2013, however due to some scheduling conflicts the Board of Retirement postponed the workshop for three months. StanCERA is now progressing through the strategic planning process and has attached a draft for Committee review. If the draft plan is accepted by the Committee on October 9, 2013, step 6 will not be necessary. This strategic plan will still be a three year road map meant to guide the organization through 2016.
- V. RISK: No additional risk identified at this time.
- VI. STRATEGIC PLAN: In process
- VII. ADMINISTRATIVE BUDGET IMPACT: No additional cost at this time.

  
Rick Santos, Executive Director

  
Kathy Herman, Operations Manager

# StanCERA's Strategic Plan 2014-2016

## Mission

StanCERA secures and manages investment funds to provide benefits to its members.

**STANCERA**

## Vision

Ensuring tomorrow's benefits through prudent management.



## *Strategic Objective*

**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 obligations is the most efficient and effective way to minimize pension risk while balancing the stability and sustainability of required plan sponsor contributions.

## *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. When the general level of interest rates is low, the cost to minimize pension risk is high. As a result, StanCERA adopts the following strategies:

- I. Monitor current costs and risks
- II. Enhance the understanding of the financial tools available
- III. Communicate with plan sponsors
- IV. Implement a well-defined policy for minimizing pension risk
- V. Develop policy triggers for potential opportunities

## *Desired Outcome*

While StanCERA acknowledges that assets that produce cash flows similar in timing and size to the required benefit obligations is the most efficient and effective way to minimize pension risk, it is also believed that long duration pension liabilities do have some correlation with the general level of economic activity. Because of this, StanCERA believes assets that are inherently correlated with economic growth provide a hedge for some of its longer duration liabilities. As such, a long-term (5 to 10 years) desired outcome would be a portfolio consisting of 60% to 75% fixed income with the remainder in longer duration, growth oriented assets.

Action Plan with Deliverables 2/12/2014



## *Strategic Objective*

### **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. Develop clear and concise processes and policies dedicated to the continual assessment, monitoring and disposition of StanCERA's active managers
- II. Processes are intended to provide a roadmap for the assessment of potential new managers and what should be considered when performing onsite due diligence
- III. Rework or augmentation of current monthly and quarterly reporting standards with an eye towards simplicity and understanding
- IV. StanCERA staff to take a more proactive role in the reporting and assessment process

#### *Desired Outcome*

The intent of this objective is to get StanCERA to a point where it is comfortable with its understanding and assessment of the investment process and those that are managing it. Ambiguity regarding manager performance and their disposition will be kept to a minimum. Ultimately, the Organization should feel that it is fulfilling its fiduciary requirement to its stakeholders to the greatest extent possible.

#### *Action Plan with Deliverables 2/12/2014*



## *Strategic Objective*

**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. In addition, while the County Employees Retirement Law of 1937 (CERL) gives StanCERA the authority to require the contributions needed to fund these benefits, understanding the constraints of the plan sponsors is also important. Fostering an organizational culture that values and promotes teamwork, education, and awareness, demonstrates that we value our own human resources and is the first step towards ensuring that the needs of all the stakeholders are considered. In fiscal year 2010-2011, StanCERA experienced a major turnover in staff including leadership. It was the knowledge and diligence of the StanCERA team that made the transition possible.

## *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. Enhance StanCERA's system of accountability that increases awareness and rewards effort

## *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.

Action Plan with Deliverables 2/12/2014



## *Strategic Objective*

**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*

StanCERA enjoys strong relationships with plan members and sponsors. As the system continues to grow, both demographically and financially, enhanced communication and interaction with stakeholders will be essential. The quality and effectiveness of member services must be maintained. Policies and procedures need to be explored to insure that benefits are administered efficiently.

## *Strategy*

- I. Formalize a process to educate stakeholders
- II. Enhance StanCERA technology in order to optimize our human resources and productivity
- III. Expand technology to insure continuity of operations during a natural disaster or a period of major outage

## *Desired Outcomes*

The intent of this objective is to empower stakeholders to achieve a level of comfort with their understanding of StanCERA investments and benefits through training and communication. Continuing to explore new technology will enable us to effectively and efficiently serve StanCERA members.

## *Action Plan with Deliverables 2/12/2014*