

Pre-Read Materials

SCERS Board Strategy Visioning Session | July 30-31, 2025

Amy McDuffee | Debra Smith | Natasha Smith

Summary of Stakeholder Research Findings

Background & Objective

- Mosaic supported SCERS in gathering feedback and input to inform the development of the Strategic Vision Plan.
- This pre-read provides a detailed summary of those findings.
- Mosaic will capture and incorporate the Board's reaction and feedback to the stakeholder research themes during the July 30 – 31, 2025 Board meeting.
- Before the Board meeting, consider the following questions:
 - What is your reaction to the stakeholder research themes?
 - What feedback most resonated with you?
 - Which insights surprised you?

Key Insights – Board of Trustees

Mission and Vision Alignment

- **Current mission statement needs updating – only moderately aligned with SCERS’s core purpose.**

The statement can be improved by clearly stating the beneficiaries (members), the intended outcome (retirement security), and referencing fiduciary responsibility.

- **Trustees’ vision priorities for 2041**
 - SCERS should be known for:
 - Strong financial health (ideally fully funded)
 - Excellent service to members
 - Stakeholder trust built on prudent, forward-thinking management
- **Core value that resonated most – “Stewardship”**

It reflects the board's emphasis on financial health/solvency, prudent management, and fulfilling the promise of retirement security for members.

Top Strategic Priorities

For SCERS’ long-term success:

- Maintaining strong funding status (85%+)
- Adapting to demographic, economic and legislative changes
- Delivering excellent, timely service and communication
- Investing in technology modernization
- Talent acquisition/retention and leadership/staff development
- Optimized portfolio and risk management
- Strong governance and transparency

Top Long-Term Strategic Risks

Trustees anticipate the following external challenges/risks:

- Market and economic volatility, including geopolitical risk
- Demographic shifts: aging population and maturing plan
- Technology disruption (AI, automation, digital service expectations)
- Funding pressures on employers and member attrition
- Climate-related investment risks
- Political and governance uncertainty

Key Insights – Board of Trustees *(contd..)*

Perceived Organizational Strengths

- Prudent, high-quality investment management
- Stable, experienced executive and investment leadership
- Dedicated, mission-driven staff
- Productive board-staff relationships and communication
- Strong governance and clear policies

Key Concerns

- Legacy technology systems and County IT dependency
- Staffing turnover and lack of succession planning
- Delays and inefficiencies in benefit processing
- Inconsistent communication across the organization
- Constraints on flexibility due to distributed/shared governance model with the County

Ideas for bold steps for future

- Dramatically modernizing technology and gaining IT independence
- Consider a total portfolio management approach
- Consider innovative funding incentives and structures that accelerate funding progress, especially in collaboration with employers
- Securing operational control and long-term cost savings, including owning SCERS's building (real estate)
- Prioritizing leadership continuity and succession to ensure strength and cohesion

Key Insights – Staff Focus Groups

Key Strategic Priorities/Themes

Mission Statement

- Desire to achieve “highest level of retirement services”
- Desire for effective and prudent use of resources

Core Values and Organizational Culture

- Need to be lived and breathed by all staff
- Influence and empower staff
- Focus on greatest asset - its people: staff engagement (see, hear and value staff at all levels)

Information Technology

- “Automate manual workflow processes”
- “Inefficient technology is holding us back from being who we could be”
- “System limitations”
- “Need case management or workflow system”

Data Integrity

- “Look at all business processes for accuracy”
- “100% quality control on all benefits - perform cost-benefit analysis for sampling”
- “Process improvements”

External Relationships

- Roles and responsibilities of the County relative to IT
- Quality of working relationship of non-executive SCERS staff and their County counterparts.

Key Insights – Staff Focus Groups *(cont'd.)*

Key Strategic Priorities/Themes

Human Capital Resources

- **Leadership Development**

- Effective, transparent and consistent communication
- Cross-functional and department collaboration
- Build a culture to adapt to change
- More in-person staff engagement/interaction

- **Talent Retention**

- Compensation class study – some inequity and talent pipeline impact
- Specialists (HR, Benefits) and effective use of current human resources
- Evaluate organizational staff size

- **Workflow Processes**

- Effective communication - “the right decisions made at the right level”
- Evaluate and document workflow – “reduce reliance on manual processes”
- Reduce redundancy in reporting – manage to outcomes
- Incorporate subject matter experts’ input – “empower staff and utilize staff to their fullest”

- **Succession Planning**

- Mitigate key person risk
- Promote knowledge transfer
- Formal education and training
- Stabilize, train and develop staff

Key Insights – Executive Team

SCERS would want to be known for in 2041

- “Growing in line with the needs of and obligations owed to our members”
- “Efficient administration of retirement benefits”
- “Unwavering financial strength and innovation in member service, ensuring that every member feels secure and confident in their retirement future”
- “A well-funded system providing first in class member services”
- “Being a premier steward of the County's pension plan”

N=5

Strategic Priorities

Technology Transformation

- Modernization
- Stability
- Automation
- Data Integrity Resources

Human Resources & Organizational Culture

- Organizational and Workforce Resilience
- Staff Recruiting/Retention
- Succession Planning and Knowledge Transfer

Financial Sustainability

- Asset-Liability Management
 - Managing Liquidity Risk for a mature plan
- Market volatility and uncertainty

N=5

Key Insights – Executive Team (cont'd.)

SCERS Mission Statement

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

Mission Clarity

3.8

Average rating from all Executives



N=5

Mission Alignment

4.2

Average rating from all Executives



N=5

Change in mission statement

- Add language related to “secure and sustainable” retirement that members have earned
- Mention ‘SCERS’ in the mission statement
- Change it to “... highest level of retirement services **to members**”

Core Values

Importance of Core Values

80%

Selected “**STEWARDSHIP**” as the most important core value

- Focuses on the sustainability and security of the fund for the future generations
- Other values are also important but eventually feed into the value of ‘STEWARDSHIP’
- ‘Stewardship’ embodies the long-term responsibility SCERS has in managing retirement assets

Reflection of Actual Culture

3.8/5

Average rating from all Executives



Overall, the Executive team thinks the core values moderately reflects actual culture of SCERS.

N=5

Key Insights – SCERS Members

SCERS Mission Statement

- SCERS members rated the SCERS mission statement highly for clarity (avg 4.2 out of 5) and alignment with the work SCERS does for them (avg 4.0 out of 5).
- Majority of responding SCERS members (68%) indicated that no key themes were missing.
- Those who indicated missing elements, indicated – clarity; absence of words related to accountability, transparency, and efficiency; financial performance and security; long-term strategy and adaptability to future changes.

SCERS Services

- Timely and Accurate Benefit Payments, Customer Service and Support, and Communication and Updates emerged as most frequently recognized strengths.
- SCERS has a Net Promoter Score (NPS) of 34 which is considered great.
- Members rated SCERS highly (4.1 out of 5) on various aspects of operations such as customer service, member education, communications, etc.

Key Insights – Employer Representatives

SCERS Mission Statement

- Overall, employers agree that SCERS is delivering its Mission very well with a score of 4.0/5 with 5 being the highest.
- Employers felt the mission statement was generally clear and relevant, especially in expressing SCERS's focus on benefits and fiduciary responsibility.
- Transparency was noted as a missing element

What's working well

- Employers found benefits resources helpful (4.38/5)
- SCERS sends timely and relevant communication (4.22/5)
- Online calculator and retirement planner are valued tools
- Website is viewed as user-friendly by most employers

Opportunities for improvement

- Employers want more training, especially for HR staff
- Consistency and accuracy of information – employers were getting different answers from different reps
- Faster processing of the first pension checks and reciprocity

Key Insights – Board Consultants

Key Strategic Priorities (Next 2-5 years)

- **Technology Modernization and Automation**
 - Implement an efficient, updated Pension Administration System (PAS)
 - Enable member self-service, automated workflows, and streamlined processing
 - Address prior PAS implementation challenges to avoid manual errors and inefficiencies
- **Strategic Investment Management**
 - Maintain strong strategy and identify incremental improvements
 - The biggest risk to SCERS is disrupting what is already a great investment program.
 - Suggested incremental improvements:
 - Evaluate and refine portfolio construction strategy with a holistic and strategic approach
 - Improve planning and goal-setting for alternative investment portfolios (e.g., hedge funds, real estate)
 - Focus on emerging economies
 - Cash flow and liquidity risk focus as the fund matures
 - Build niche sector exposure with best-in-class operators
 - Examine active versus passive equity strategies

Long-Term Trends & Risks (10–15 Years)

• Technology Disruption and Cybersecurity

- ‘Cybersecurity resilience’ to address AI driven sophisticated threats.
- Adapt operations to member expectations for digital services
- AI's impact on hiring, service models, and staff productivity

Market & Environmental Volatility

- Geopolitical instability and de-globalization impacting global trade and portfolio performance
- Higher inflation; prolonged high interest rates, and economic recession
- Climate-related risks (e.g., extreme weather) affecting investment outcomes

Key Insights – Board Consultants *(cont'd.)*

Opportunities

Restart Pension Administration System Project

- Fix inefficiencies in pension system and avoid reliance on manual processes
- Integrate systems for real-time access and data consistency

Enhance Stakeholder Relations and Communication

- Clarify roles and responsibilities with Sacramento County
- Ensure timely and accurate communications with members and beneficiaries regarding SCERS benefits and offerings

Build Investment Team Capacity

- Ensure staff size and skillset matches portfolio growth, size and complexity
- Evaluate consulting model to determine best fit and evolve as needed

Critical Capabilities to Strengthen (10–15 Years)

Staff and Expertise Development

- Institutional knowledge retention and documentation
- Ongoing training to support evolving investment strategy
- Succession planning to reduce key person risk

Resource and Technology Alignment

- Ensure investments in technology meet actual needs—not just “bells and whistles”
- Maintain a workplace that enables staff to fulfill SCERS’ mission effectively
- Upgrade systems and structures to match projected growth

Executive Team Visioning Exercise

Background & Objective

- Mosaic facilitated a future visioning exercise with the SCERS Executive Team.
- The team was presented with three fictional future scenarios and asked to reflect on what success would look like in those hypothetical futures.
- This pre-read includes the prompts and questions provided as well as a recap of the Executive Team's discussion outcomes and the common themes across the three scenarios.
- Mosaic will capture and incorporate the Board's reaction and feedback to this content during the July 30 – 31 Board meeting. Before the Board meeting, consider the following questions:
 - What discussion outcomes most resonated with you? Which surprised you?
 - What is your reaction to the common themes?

Hypothetical Scenario 1: 109% Funded

Fictional Future:

Imagine it's June 2041. You're quietly reflecting at your desk, waiting for the start of SCERS' 100th Anniversary party. The latest ACFR will be published soon, and you just learned that SCERS achieved 109% funded status. As you take in the moment, you also reflect on the years leading up to it — the choices, relationships, and strategies that got SCERS to this point.

Questions executives were asked to consider:

- What is SCERS doing in this moment that makes you proud? What has it achieved or become that signals long-term success?
- Looking back over the last 16 years, what specific accomplishments or moments stand out as milestones of progress?
- What, if anything, concerns you when you picture SCERS in this future moment?
- Who are SCERS' most critical partners in this successful future? What made those relationships work so well?
- Choose 2–3 key stakeholder audiences. For each, describe what they would say about SCERS in 2041. What one word or phrase would they use, and why?
- For the 100th anniversary, *The Sacramento Bee* publishes a piece about SCERS on its front page. What is the headline, and what do they have to say about SCERS in this moment?

Hypothetical Scenario 1 Discussion Outcomes

- SCERS is considered a stable pension plan with a disciplined, consistent, and diversified fund.
- Technology and innovation has been a focus for a long time.
- SCERS has heavily invested in internal resources resulting in strong staff competence, stable staffing, a stable board, and a great workplace culture.
- SCERS has placed emphasis on communication, transparency, and being pro-active.
- Potential concerns in this moment:
 - Pressure from changes to statutes.
 - COLA.
 - Enhanced benefits.
 - Adjusting actuarial policies.
- Potential Headlines:
 - *County Pension fund roars past CalPERS – Little known pension fund is best funded in Sacramento area*
 - *Pension Plan defies odds*
 - *Rock solid and cutting edge @100*
 - *100 is the new 30 – SCERS*

Hypothetical Scenario 2: Governance Roles Clarified

Fictional Future:

Imagine it's June 2041. It has been 16 years since the California Supreme Court ruled on the Los Angeles County Employee Retirement Association (LACERA) case on board governance authority. It ruled in LACERA's favor, and in that time LACERA was able to separate key operational activities from LA County. The ruling also paved the way for significant changes to pension funds in the state of California. Today, you find yourself quietly reflecting on who SCERS has become in the wake of that ruling. You think back on the organization's actions before and after the decision. You consider how SCERS has evolved and how it's positioned today – in terms of investment performance, operational excellence, public trust and partnerships.

Questions executives were asked to consider:

- What is SCERS doing in this moment that makes you proud? What has it achieved or become that signals long-term success?
- Looking back over the past 16 years and thinking of SCERS' response to the ruling, what specific choices, accomplishments or moments stand out as milestones of progress?
- What, if anything, concerns you when you picture SCERS in this future moment?
- Who are SCERS's most critical partners in this successful future? What made those relationships work so well?
- Choose 2–3 key stakeholder audiences. For each, describe what they would say about SCERS in 2041. What one word or phrase would they use, and why?
- For the 100th anniversary, *The Sacramento Bee* publishes a piece about SCERS on its front page. What is the headline, and what do they have to say about SCERS in this moment?

Hypothetical Scenario 2 Discussion Outcomes

- SCERS emerges as trusted and technologically advanced fund with modernized systems for both internal and external operations.
- SCERS partnerships have matured, especially with the County.
 - A reframed governance model created a more strategic relationship with the County.
- There was significant investment in organizational resilience, including formalized leadership development and succession planning.
- Identification of potential risks from new strategic relationship with County:
 - Talent retention.
 - Changing political and economic landscapes.
 - Cybersecurity.
 - Plan changes (e.g., pension reforms) and associated costs.
- Potential Headlines:
 - *Growth to 100%: SCERS leads peer systems to fully funded status*
 - *County retirement system celebrates milestone as fund reaches new heights*
 - *SCERS at 100: Century-old pension fund became a model for modern public service*

Hypothetical Scenario 3: Dissolution

Fictional Future:

Imagine it's May 2041. SCERS no longer operates as a separate entity. You find yourself quietly reflecting on the journey that SCERS has taken since 2025. As you consider the present, you think back on the choices, relationships, and strategies that brought SCERS to this point.

Questions executives were asked to consider:

- What happened? What does SCERS look like today?
- Looking back, what were the key events or decisions that led SCERS to this point?
- What are SCERS stakeholders (members, employers, the public, etc.) saying and why?
- What, if anything, could SCERS have done differently that would have changed the outcome?

Hypothetical Scenario 3 Discussion Outcomes

- SCERS may have been absorbed into a larger state system (such as CalPERS) or consolidated with other county systems into a Statewide county system.
 - Consolidation may be driven by scale, efficiency, or cost.
 - This could lead to successful shared service agreements or partnerships.
- Possible external forces (e.g., economic, political) that could have accelerated this transition.
 - Political pressure to transition to a Defined Contribution (DC) plan is possible, reflecting a potential systemic shift in public retirement policy.
 - Economic crises and underfunding (e.g., <50% funded during downturn) could force major structural changes.
 - A generational change in perception of pension funds (or accompanying lack of understanding of pension funds) could spur significant structural shifts.
 - Prioritizing member communications, strengthening member connections to the fund, and nurturing political relationships are critical strategies to mitigate these scenarios.

Common Themes

The Executive Team identified five common themes across the three hypothetical scenarios:

- Know, face, and mitigate risks
- Be proactive and forward-thinking
- Change management
- Invest in people and technology
- Own our future



Mosaic Governance Advisors, LLC

www.MosaicGovernance.com