



## **Priorities and Action Plan Fiscal Year 2023 Final Results**

Each year, SDCERS develops a high priority Action Plan to support SDCERS' Mission, Vision, and Priorities as shown below. An Action Plan is typically above and beyond the regular daily business conducted by staff and may take more than one year to complete. The number of priorities and supporting Action Plan items in any given year is based on the needs of the organization, the Board of Administration, and the participants in SDCERS.

### **SDCERS Mission**

To deliver accurate and timely benefits to its participants and ensure the Trust Fund's safety, integrity, and growth.

### **SDCERS Vision**

To be an independent, leading edge, financially sound, well-governed, and transparent pension plan.

### **SDCERS Core Values**

Customer Service | Accountability | Professionalism | Fiduciary | Integrity | Transparency

## **Priorities and Action Plan for Fiscal Year 2023: Final Results**

### **1. Continued Pursuit of Excellence in Serving Our Members**

Supporting Action Plans:

#### **a. Proposition B: Phase 2 – Current Employees**

In the beginning of fiscal year ("FY") 2023, substantially all MEA, Local 127, and unrepresented City employees subject to Proposition B (Prop B) who chose to join SDCERS were added to SDCERS' membership; their SPSP-H, or a portion of it, was moved to SDCERS to fund their employee contributions and service credit. Employees subject to Prop B and represented by the DCAA, Local 145, or Teamsters 911 were automatically enrolled in SDCERS and all or a portion of their SPSP-H accounts were converted into service credit. While not a party to negotiations, SDCERS has worked tirelessly alongside the City throughout the fiscal year to revise the Municipal Code accordingly, coordinate the process of such employees retroactively joining the plan, and educate these employees regarding their new pension benefits. Throughout the year, SDCERS periodically worked with the City to retroactively add employees who were not included in the initial groups of Prop B employees, including employees who left the City

during the Prop B time period and subsequently returned, and who may or may not have withdrawn funds from their SPSP-H account when they initially terminated City employment. In FY 2024, “Phase 3” will begin, which addresses City employees who were hired during the Prop B time period but left City employment before July 9, 2022.

**b. Operational Best Practices**

This multi-year project encompasses nearly the entire organization and is critical to our long-term success to deliver accurate and timely member service. This effort analyzes existing processes by looking for efficiencies, identifying new workflows, and inactivating obsolete ones. Each review concludes with a process narrative to fully document the process and rules existing within and outside the computer system. During the past year we made substantial progress reviewing and implementing changes within our Pension Administration System. We anticipate the analysis of all business process will be complete in FY 2024.

**c. Increase Member Portal Registrations**

SDCERS continues to promote Member Portal registration in various ways, such as announcements at webinars and advertisements in our newsletters, website articles, targeted emails to active employees, our welcome letter to newly hired members, and Facebook posts. In FY 2023, we added a few thousand members due to the repeal of Prop B, and a large portion of these new members registered on the Portal. However, not all of the new members registered, and thus we saw a slight decrease in the percentage of our total membership that is registered on the Portal.

**d. Post Member “How-To” Videos on SDCERS’ Website**

SDCERS focused its member communication resources on member education, particularly with respect to Proposition B. We expect to add at least one new educational video that explains retirement benefit options in FY 2024.

**2. Continued Focus on Data Accuracy and System Integrity**

Supporting Action Plans:

**a. Develop Deduction Agency Portal**

SDCERS built the Deduction Agency Portal and it is being utilized by the SDCERS Deduction Agencies. The Deduction Agencies appreciate the advanced features on the Portal when processing monthly payee deductions.

**b. Pension Administration Software Framework Upgrade**

The Pension Administration Software is a critical tool to support the organization’s core mission to deliver accurate and timely benefits to our members. The software vendor has a solution roadmap to keep the underlying technology of the software updated to accommodate new features and continue to enhance security. Therefore, on a periodic

basis, framework updates are necessary to support the solution roadmap. This was a major upgrade managed by the SDCERS Information Technology division. The upgrade was successfully implemented according to the project schedule. We are now on a software platform to support information system projects for future years.

**3. Continued Pursuit of Investment Program Excellence**

Supporting Action Plans:

**a. Investment Operations Risk Assessment**

SDCERS' Investments Team conducted a Risk Assessment in FY 2023. This assessment is conducted every 3 to 5 years and includes a review of operational-related risks, the identification of controls to mitigate these risks, a review of efficacy of identified controls, and implementation of enhancements as determined. This year's assessment encompassed both public and private market investments and resulted in a number of enhancements.

**b. Investment Programs Best Practices**

To ensure SDCERS' Investment Program is implementing best practices, SDCERS hired a consultant to review our investment policies, practices, and procedures, as well as conducting a value for fees analysis for consultants and advisors. The SDCERS Investment Committee and Board of Administration reviewed the study's results at their respective July 2023 meetings. The study itself, which included developing a Request for Information, selecting a consultant, performing field work, conducting interviews, performing analyses, and drafting the report, was completed in FY 2023. The Board has expressed desire to further explore the recommendations of the study in early FY 2024.

**4. Continued Leadership in Pension System Governance**

Supporting Action Plans:

**a. Actuarial Funding**

The SDCERS Mission is to deliver accurate and timely benefits to its participants and ensure the trust fund's safety, integrity, and growth. In support of SDCERS' Mission, the actuary provides annual reports on the funding status of the system and projections on when the system will achieve 100% funding. Required employer and employee contributions are also included in the report. The Board reviewed and approved the independent actuary's report at its March 2022 meeting.

**b. Compliance Program**

SDCERS' compliance program is designed to prevent illegal, unethical and improper conduct; the program also helps ensure tax compliance. In FY 2023, SDCERS staff

created a state-wide compliance group, which meets regularly to address compliance issues facing public pension systems. Staff also addressed all findings from an outside counsel's review of SDCERS' tax compliance program, educated the Board on the City's past pension crisis, and received formal training and certification in compliance and ethics.

**c. SDCERS Values**

Each organization operates with its own business culture based upon a common set of values. Expressing our organization's values provides SDCERS a meaningful tool to shape our culture and improve our ability to meet our mission. SDCERS Core Values influence how we make decisions and are the essence of SDCERS' identity. They communicate to our members, plan sponsors, Board, staff, and business partners what is important in how we conduct business. The SDCERS Board members and staff identified its Core Values as – Customer Service, Accountability, Professionalism, Fiduciary, Integrity, and Transparency. During the year we continued our integration efforts by weaving them into our non-represented employee performance evaluations, company meetings, and various internal and external presentations made to our stakeholders and community groups.

**d. SDCERS Recognition**

SDCERS received the Public Pension Coordinating Council (PPCC) 2022 Public Pension Standards Award for Funding and Administration along with the Government Finance Officers Association (GFOA) 2022 Comprehensive Annual Financial Report and 2022 Popular Annual Financial Report Awards. The Municipal Information Systems Association of California (MISAC) again bestowed SDCERS with their prestigious Quality Information Technology Practices Award for the 5th year in a row.

## Fiscal Year 2023 Other Notable and Significant Accomplishments

SDCERS renegotiated their office lease, resulting in moving to a new, smaller and more appropriate-sized space, with significant projected cost savings. SDCERS also established a five-year information technology audit plan to ensure the effectiveness of SDCERS' internal control system, including information technology security and control. Finally, SDCERS completed a comprehensive review of its tax compliance practices, utilizing a legal tax counsel firm to provide vital assurances that SDCERS continues to comply with applicable IRS statutes and regulations, protecting SDCERS' qualified tax status.

We each take responsibility for the summary of SDCERS' Fiscal Year 2023 Action Plan results. We are proud of these accomplishments, none of which could have been achieved without the sustained efforts of all our SDCERS colleagues.

Respectfully submitted,

<p><b><i>Gregg Rademacher</i></b></p> <hr/> <p>Gregg Rademacher <i>Chief Executive Officer</i></p>	<p><b><i>Marcelle Voorhies Rossman</i></b></p> <hr/> <p>Marcelle Voorhies Rossman <i>Deputy Chief Executive Officer</i></p>	<p><b><i>Michelle Wegner- Maleki</i></b></p> <hr/> <p>Michelle Wegner-Maleki <i>Chief Information Officer</i></p>
<p><b><i>Carina Coleman</i></b></p> <hr/> <p>Carina Coleman <i>Chief Investment Officer</i></p>	<p><b><i>Sarah Dickson</i></b></p> <hr/> <p>Sarah Dickson <i>Chief Internal Auditor</i></p>	<p><b><i>Ted A. LaSalvia</i></b></p> <hr/> <p>Ted A. LaSalvia <i>Controller</i></p>
<p><b><i>Cynthia A. Queen</i></b></p> <hr/> <p>Cynthia A. Queen <i>Member Services Director</i></p>	<p><b><i>Colin Brazile</i></b></p> <hr/> <p>Colin Brazile <i>Human Resources Manager</i></p>	<p><b><i>Johnny H. Tran</i></b></p> <hr/> <p>Johnny H. Tran <i>General Counsel</i></p>