



## **Mendocino County Employees' Retirement Association**

### **Strategic Planning Session**

**October 17-18, 2012**

### **Summary**

- *Revised by the Board of Retirement on November 7, 2012*
- *Revised by the Board of Retirement on December 12, 2012*
- *Plan adopted by Board of Retirement on January 16, 2013*

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## CONTENTS

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- 1     **General Overview**
  - A.    Introduction
  - B.    Meeting Participants
  - C.    Agenda
  - D.    Strategic Planning Terminology
  - E.    Roles and Responsibilities
  - F.    Strategic Planning Process
  
- 2     **Outcomes from the Meeting**
  - A.    Proposed Mission Statement
  - B.    Proposed Core Values
  - C.    Proposed Goals and Objectives
  
- 3     **Next Steps**
  
- 4     **Appendix**
  - A.    SWOT Analysis
  - B.    Critical Issues

## GENERAL OVERVIEW

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### Introduction

The Mendocino County Employees' Retirement Association (MCERA or the Association) is governed by a Board of Trustees (Board) and managed by a four person staff. The Board and staff met on October 17 and 18, 2012 for their first formal strategic planning session. The meeting was arranged by the recently hired Retirement Administrator who had engaged in a successful strategic planning effort at a public retirement system where he was previously a member of the board of trustees. The session was facilitated by consultants from Hewitt EnnisKnupp (HEK).

During the session, the group reviewed the fundamentals of strategic planning and discussed an approach to planning for the Association that would engage the Board at a governance level and the staff at a management level. Working together, the group developed the foundation of a 3 to 5 year strategic plan. Once finalized, the strategic plan will guide the Association's activities and will influence budget development. The strategic plan and progress made under the plan will also be integrated into the Retirement Administrator's periodic performance evaluations.

In preparation for the meeting, HEK consultants interviewed the Retirement Administrator to gain an understanding of his expectations for this endeavor and reviewed basic information about the Association.

On the first day, the Board and staff members were asked what they hoped to accomplish over the two-day strategic planning session. Among the objectives they stated were:

- To understand the issues and see a snapshot of where we are and where we will be in the next 1-2 years
- To define a list of issues, prioritize them, and address them in a timely way and to measure results
- To minimize future funding surprises
- To come to closure on some issues that we have discussed over and over again (actuarial matters and automation)
- To set priorities and have a useful guide for addressing them
- To have goals written down and a measurable way of achieving them
- To have something that is useful when setting budgets and to know what the board wants the staff to be working on
- To deal with the daunting task of pension reform
- To get good ideas on the table and discuss implementation and to provide continuity
- To be more efficient in meetings
- To have tools to follow through on the plan
- To increase transparency and accountability
- To deal with the GASB 68 restated pension liabilities
- To be less reactive and more proactive
- To do what we can to make the system sustainable
- To follow up and follow through on the issues we identify
- To clarify the roles and responsibilities of Board and staff
- To create a roadmap and operational templates for the organization
- To enhance our problem-solving and decision-making
- To increase efficiencies in a system of our size
- To let staff know what they are to do with their time
- To reduce surprises and sidestep crises
- To define who we are to our stakeholders

## GENERAL OVERVIEW

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- To focus on the participants
- To better serve our participants

The meeting participants next considered the Association's existing Mission Statement and discussed alternatives to it. They took a "first cut" at creating a new Mission Statement, and articulated Core Values for MCERA. The final approval of these basic elements of the strategic plan will take place at a future Board meeting.

The Board and staff also discussed the strengths and weaknesses of the internal organization as well as the opportunities and threats on the horizon through a SWOT analysis. Strengths and weaknesses were discussed first to determine what MCERA, as an organization, is capable of accomplishing. The opportunities and threats to the organization are external factors that could be advantageous or potentially troublesome.

The SWOT analysis led to a discussion of critical issues. The participants were encouraged to bring forth any ideas or concerns of a strategic nature. The intent of this part of the planning session was to elicit broad input from everyone and not to limit or exclude any ideas. Many issues were repeated by several participants.

At the end of the first day, the consultants took the Board's and staff's input, coupled with the themes derived from the SWOT analysis, and organized the issues into "clusters" of related topics. The consultants' aim was to create a limited number of draft Goals (3 to 7) with corresponding measurable Objectives under each Goal. The consultants proposed possible language for the Goals and Objectives for the Board and staff to consider and modify the next day.

On the second day, the participants once again reviewed the Mission Statement and Core Values and reached general consensus on them.

The participants also generally agreed upon 4 Goals with 6 to 14 Objectives under each Goal. The exact wording of the Goals and Objectives was not discussed in great detail due to time constraints.

The Retirement Administrator and staff will propose start and completion dates for each Objective and the appropriate strategies to use in their implementation. For those Objectives with a start date in 2013, the strategies will contain action plans and expected costs.

After the Board receives a briefing on the strategies and approves any necessary budget changes, the staff will create specific action plans for the Objectives that are scheduled to start in 2013 and manage them as part of their ongoing management activities. There is less value in assigning action plans much more than a year out since things will inevitably change. Objectives have start and completion dates, whereas action plans state intermediate deadlines.

## **GENERAL OVERVIEW**

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Early in 2013, the first year of implementation, the staff will also address performance measurements, a very important element of the strategic plan. They will establish metrics and other ways to measure and report progress under the plan. Their recommendations will be presented to the Board for approval.

After the implementation of the strategic plan, the staff will provide regular progress reports to the Board and Retirement Administrator at the agreed upon frequency.

Approximately one year from now, the Board and staff will convene with the purpose of evaluating their success and updating the strategic plan. This effort will keep the plan alive and maintain it as a meaningful road map for those who follow.

## GENERAL OVERVIEW

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### Meeting Participants

#### Retirement Board

Bob Mirata, Chair  
Shari Schapmire, Vice Chair  
Tim Knudsen, Secretary  
Randy Goodman, Trustee  
John Sakowicz, Trustee  
Richard Shoemaker, Trustee  
Supervisor Kendall Smith, Trustee  
Ted Stephens, Trustee  
Craig Walker, Trustee  
Lloyd Weer, Trustee

#### MCERA Staff

Rich White, Retirement Administrator  
Katy Richardson, Senior Retirement Specialist  
Judy Zeller, Retirement Specialist II  
Jeff Berk, MCERA Legal Counsel

#### Consultants from Hewitt EnnisKnupp

Nancy Williams, Partner  
Russ Charvonja, Partner

**Mendocino County Employees' Retirement Association  
Strategic Planning Session Agenda  
Ukiah Conference Center  
October 17 & 18, 2012**

Wednesday, October 17<sup>th</sup>

- Overview of Strategic Plan Basic Components
- Mission Statement and Core Values
- SWOT Analysis
- Identification of Critical Issues

Thursday, October 18<sup>th</sup>

- Recap of Previous Day
- Clustering of Issues
- Goals and Objectives
- Next Steps in Strategic Planning

### Strategic Planning Terminology

During the meeting, the HEK consultants proposed that the following terminology be used in order to avoid confusion. The terms were defined as answering the following questions:

- Mission Statement:
  - Who are we?
  - Why do we exist?
- Core Values:
  - What do we believe in?
  - What principles guide us?
- Goals:
  - What do we want to achieve?
  - What are our priorities?
- Objectives:
  - What measurable steps do we need to take to achieve our goals?
- Strategies:
  - How will we allocate our time, talent, and budget to reach our goals and objectives?
- Action Plans:
  - Who is responsible for doing what?
  - When are the deadlines?
- Performance Measurement:
  - How successful have we been?
  - What changes do we need to make?

## GENERAL OVERVIEW

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### Roles and Responsibilities

The Board and staff have valuable, but different, roles in strategic planning. Ultimately the Board “owns” the plan and the staff implements the plan.

<b>Roles of Board and Staff in Strategic Planning</b>	
Board with input from Staff	Mission Statement
	Core Values
Board with input from Staff and possibly consultants	Goals
	Objectives
Staff responsibility with Board approval including budget and timeline	Strategies
	Action Plans
Joint effort of Board and Staff	Performance Measurement

## GENERAL OVERVIEW

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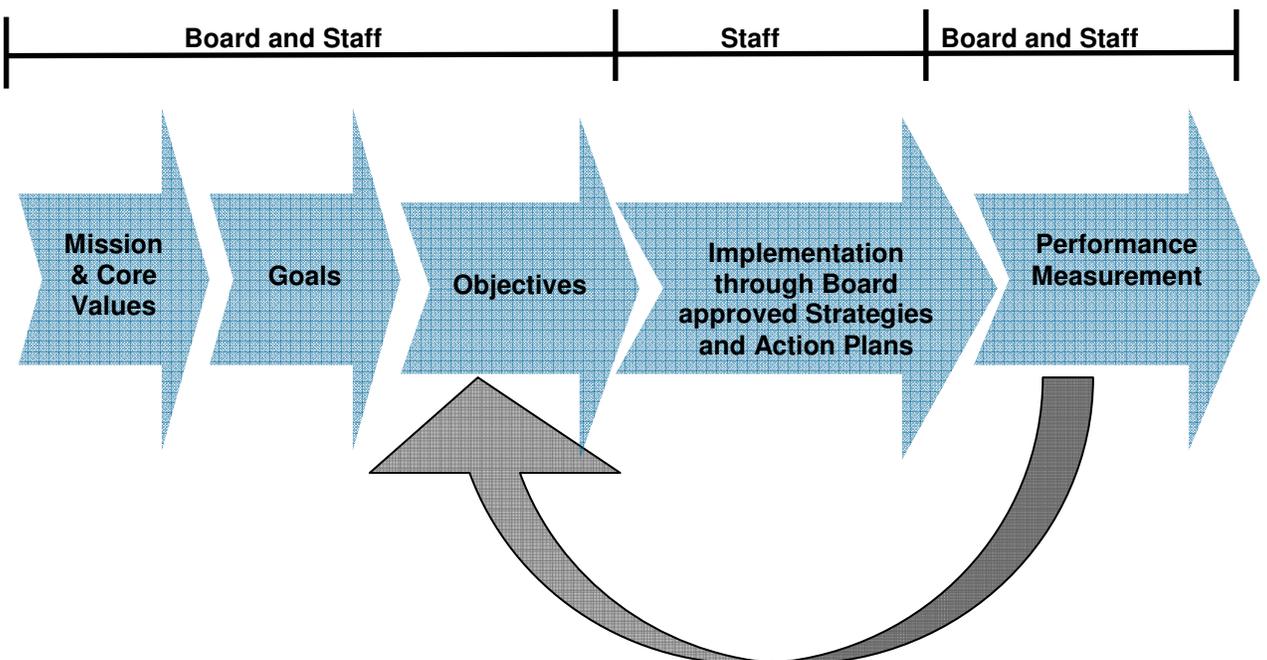
### Strategic Planning Process

In general the strategic planning process used by MCERA was one that was recommended by Hewitt EnnisKnupp and has been used successfully for decades by other public retirement systems. It differs from a private sector approach in that it is purposely designed to be an interactive process that includes trustees and staff working cooperatively through the initial steps in developing the plan.

The benefits of strategic planning are many, with education among them. When questioned, many of the Board members and staff stated that they hoped to learn more about the views of others and to come away with the clear perspective about the big issues and challenges facing MCERA over the next few years. They were also looking forward to having a “road map” for the future and a way of measuring progress as the plan is implemented.

The HEK consultants conveyed that the time-consuming part of planning for the Board takes place up front. After the plan is in place, the Board should not have to spend significant time in reviewing progress reports or in updating the plan. In future years, the foundation of the strategic plan should not change much. If the Mission and Core Values were created with proper care, then they will likely last for many years. The same is true with the over-arching Goals. What changes most are the Objectives. The HEK consultants recommended that the plan be updated by adding new Objectives, modifying other Objectives, and deleting completed Objectives on a two-year cycle. They also recommended that progress under the plan be reported at regular Board meetings when issues tied to the plan are on the agenda as well as during the Retirement Administrator’s performance evaluations, which are scheduled to take place every 6 months.

### Strategic Planning— A Continual Process



## Proposed Mission Statement

At the time of the strategic planning session, MCERA had a formal mission statement; however, it was closer to a list of statutorily required functions than to a true mission statement. During the session, the Board and staff reached consensus on the following Mission Statement that generally reflected their thoughts.

### Proposed Mission Statement

#### Mendocino County Employees' Retirement Association Mission Statement

**To provide members and their beneficiaries with sustainable benefits and exceptional service through professional plan administration and prudent investment practices.**

*Adopted by the Board of Retirement on November 7, 2012*

### Previous Mission Statement

The goal of the Mendocino County Employees' Retirement Association (MCERA) is to provide member services in a confidential, professional, competent and approachable manner. Those services include:

- Providing retirement compensation, death and disability benefits to County retirees and their beneficiaries.
- Providing assistance to County employees in planning for their retirement.
- Preserving and maintaining the assets of the system through prudent investment of employee and employer contributions, while maintaining a sound funded status for the system.

## Proposed Core Values

During the meeting, the participants discussed the values that are important to the organization. Core values can serve as a message to current and future Board members and staff about the culture of MCERA. It also conveys to the membership, County, and outside entities, the way business is conducted at the MCERA.

During the strategic planning session, the Board and staff reached a general consensus on the following Core Values, although the Board still needs to finalize them.

Proposed Core Values
Act with honesty, integrity and accountability
Adhere to the highest fiduciary standards
Treat all stakeholders in a fair and equitable manner
Think strategically; anticipate and prepare for change
Promote a culture of transparency
Focus on customer service
Be a reliable source of information for stakeholders
Strive for continuous improvement
Protect confidential information
Develop and empower Association staff
Ensure a positive work environment
Communicate effectively
Strive for efficiency
Be respectful of diversity and different points of view

*Adopted by the Board of Retirement on November 7, 2012*

## **Proposed Goals and Objectives**

The participants engaged in a SWOT analysis which led to a number of critical issues. (See Appendix for details.) The following are the priorities, stated as Goals and Objectives, for the Board and staff over the next 3 to 5 years.

### **Goal #1: Enhance communications and customer service provided by the Association**

#### **Objectives:**

- a. Develop a proactive communication strategy (further details to be added after Board discussion)
- b. Increase interaction and information sharing with the plan sponsors to better educate them about funding and other Association issues
- c. Improve the annual member statements
- d. Invite greater participation by the various employee groups
- e. Improve the content and usability of the website
- f. Assess the costs and benefits of creating a periodic email newsletter for members and retirees
- g. Create an external Internet portal so members can access their account information on a 24/7 basis
- h. Provide members with the education to equip them for retirement

### **Goal #2: Increase the effectiveness of internal operations**

#### **Objectives:**

- a. Prepare for the implementation of PEPRA
- b. Assess technological needs for all key functions of the organization and revisit the previously prepared IT roadmap
- c. Evaluate various service providers and implement an automated pension administration system
- d. Undertake the process of imaging vital documents (EDMS)
- e. Complete the IRS Voluntary Correction Program
- f. Re-evaluate the organizational structure, the assignment of responsibilities, and job descriptions
- g. Assess the adequacy of internal controls, including the separation of duties
- h. Pursue staff development, cross-training, and succession planning
- i. Explore options for disaster preparedness
- j. Discuss the feasibility of issuing debit cards or requiring electronic funds transfers (EFTs) for benefit payments
- k. Decide the most cost-effective way of handling accounting functions
- l. Evaluate ways to streamline the procurement process and expense reimbursement
- m. Investigate means of achieving economies of scale to reduce costs
- n. Evaluate long range requirements for office space

**Goal #3: Establish optimal board governance**

**Objectives:**

- a. Review existing charters and policies to identify gaps (further details to be added after Board discussion)
- b. Refine the disability determination policy and processes
- c. Prepare a board member position description outlining expectations for those who are seeking election or appointment to the Board
- d. Discuss ways to augment limited staff resources
- e. Establish ways to report and measure progress of strategic plan goals and objectives
- f. Establish annual fiduciary training tailored for the Association

**Goal #4: Explore ways to ensure prudent management of contributions and investment of retirement fund assets**

**Objectives:**

- a. Continue to explore ways to increase investment returns while managing overall portfolio risk to an acceptable level
- b. Evaluate the risks and returns of shifting the degree of active and passive management of investments
- c. Undertake an asset/liability modeling (ALM); analyze the best case, worst case, and most likely case scenarios and trends
- d. Review the portfolio's asset allocation following the ALM and make adjustments, as appropriate
- e. Re-evaluate the existing actuarial funding method and the assumptions
- f. Provide information to the plan sponsors regarding costs of benefit changes (formulas and eligibility) that may stem from PEPRA

*4 Goals Adopted by the Board of Retirement on November 7, 2012*

*All Objectives Adopted by the Board of Retirement on December 12, 2012,*

## **NEXT STEPS**

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The next steps for MCERA to take in finalizing the strategic plan are the following.

1. Staff refines the language of the Core Values, Goals, Objectives, and the details under Goal 3, Objective A for Board review at the November 7, 2012 Board meeting
2. Staff adds proposed start and completion dates to each of the Objectives for Board review at the December 12, 2012 Board meeting
3. Staff submits the revised strategic plan for the Board's approval of the Mission Statement, Core Values, Goals and Objectives for the Board's review at the January 16, 2013 Board meeting
4. Using the approved strategic plan, the Retirement Administrator creates strategies with timelines and budgets for March 2013 Board meeting, when the budget will first be discussed
5. The Retirement Administrator collaborates with the staff and creates action plans for Objectives that are to start in 2013
6. The Board and staff reach agreement on the "definition of success" for the Objectives that are to start in 2013
7. The Retirement Administrator reports progress under the plan as necessary and prepares a formal report on the progress of the strategic plan for the Board meeting in October, 2013.
8. The Board updates the strategic plan in October 2014.

### SWOT Analysis

The Board and staff engaged in a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis to evaluate MCERA's current strategic position. They identified the strengths and weaknesses of the internal organization as well as the external opportunities and threats that might impact MCERA in a positive or negative way.

When doing a SWOT analysis, it was important to view the organization from many perspectives. In examining each of the four elements of SWOT, the following questions were discussed.

#### Strengths:

- What do we do well?
- What are our core competencies?
- Where do we excel?

#### Weaknesses:

- What could use improvement?
- What is hindering us from performing?
- What are our deficiencies?

#### Opportunities:

- What has changed in our environment that can help us improve?
- What can we take advantage of?
- What unique circumstances exist?

#### Threats:

- What external factors might hurt us or stand in our way?
- What should we watch out for?
- Where are the risks?

The results of the SWOT analysis were summarized into critical issues that were then translated into Goals and Objectives.

### Critical Issues

The participants shared many thoughts on the issues that were most important to them. Some of these issues were brought up as a result of the discussion of internal strengths and weakness and external opportunities and threats (SWOT) and others were issues that have been around for awhile but have not been fully addressed. The discussion was primarily on strategic issues that:

- Change the organization's direction in a significant way
- Involve important policy decisions
- Require substantial resources of the part of the Board and staff
- Require more than one year to accomplish
- Have a major impact on the operating budget

Critical issues were clustered into four general areas:

#### **Communications & Customer Service**

- Alternative methods for communicating with members
- Information sharing with County, employee groups and the public
- Public perception and confidence
- Improve member experience
- Employer expectations

#### **Internal Operations**

- PEPRA implementation
- Information technology
- Pension automation system implementation
- IRS Voluntary Correction Program completion
- Staff development, cross-training and succession planning
- Internal controls
- Disaster preparedness and recovery
- Accounting functions
- Procurement process and economies of scale

## **APPENDIX B**

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### **Board Governance**

- Completing governance policies and documentation
- Refining disability policy and processes
- Communicating expectations of board members
- Managing limited staff resources
- Fiduciary training

### **Unfunded Liability**

- Maximizing investment returns versus managing risk
- Communicating the impact of PEPRA on the plan sponsors
- Understand and manage budgetary constraints from federal and state governments

The list of critical issues was the basis for the proposed Goals and Objectives for MCERA.