

Strategic Planning

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Agenda

- Strategic Planning Survey Results
 - Mission and Vision Statements Development
 - Organizational Lifecycle



2018 Environment: SWOT Analysis

Strengths of the Internal Organization

- Internal attributes that support a successful outcome.

Opportunities in the External Environment

- External factors that PERA can capitalize on or use to its advantage.

Weaknesses of the Internal Organization

- Internal attributes and resources that are perceived as working against a successful outcome.

Threats in the External Environment

- External factors that could jeopardize PERA's success.



Strengths of the Internal Organization (S)

1. The level of authority granted to the Board from the State, accompanied by transparency and accountability, positions PERA for success.
2. Recent legislative changes have returned financial stability to PERA and increased the likelihood of future solvency; auto-adjustment provision will aid PERA in solving future funding issues and staying on track.
3. Consistently low cost and high-quality customer service.
4. Professional, competent, staff is dedicated and committed to PERA's mission and its membership. Staff comprises highly knowledgeable subject matter experts with intricate familiarity about PERA and how it works, a high motivation to do the job right, and a strong work ethic. Continuity of skilled and experienced staff is important to the longterm outlook of PERA.
5. Internal asset management capabilities are exceptional, with low cost, strong governance, and an existing infrastructure that can be leveraged to PERA's future benefit. PERA's blend of internally managed and externally managed assets is effective and efficient.

Weaknesses of the Internal Organization (W)

1. The underfunded status, recency of Legislative changes, when to expect to start seeing results of the changes, and lack of positive momentum can trigger misunderstanding.
2. It is difficult to reach all generations of members through communications in a way that captures their attention.
3. Knowledge, skills, and resources are needed to remain technologically capable and relevant.
4. Staff's protection of the Plan, its members, and service to the Board can sometimes be perceived as being dismissive of well-founded critiques.
5. PERA's internal culture of excellence can have a net effect of fostering the type of risk aversion that curbs innovation.

Opportunities in the External Environment (O)

1. Continue to improve and sustain the financial condition of the Plan and member retirement security.
2. Continue to educate stakeholders, including the Legislature, on the drivers of PERA's financial situation and impact of Legislative actions.
3. Understand new workplace and workforce needs (millennials, retirees coming back, sandwich generation) and adapt where beneficial.
4. The general public has a limited awareness and understanding of defined benefit plans and their value in cost-effectively delivering retirement income.
5. Better align PERA's service delivery model with the preferences of its members, employers, and stakeholders; create higher expectations for service encounters.

Threats in the External Environment (T)

1. Legislative mandates.
2. Market volatility/correction and managing stakeholder expectations around those events.
3. Uncertain general market and economic conditions (e.g., interest rates, inflation) impact investment returns.
4. Cybersecurity threats are increasing in frequency and sophistication; other retirement systems across the country have been targets.
5. Tax and revenue situation in the State; all service areas are underfunded; uncertainty about the impact of TABOR in recessionary times.
6. ESG activism is introducing new challenges to public pension plan fiduciaries. other institutional investors, and stakeholders.

PERA's Strategic Plan Business Goals

GOAL #1

Fortify PERA's financial resilience and adaptability

- Solidify a position on ESG matters
- Explore and implement appropriate down-market strategies to protect the portfolio
- Explore new ways to leverage investment program strengths to enhance performance and reduce costs
- Establish and implement a framework to monitor and mitigate funding risk to the system

GOAL #2

Elevate PERA's identity among stakeholders to that of a partner

- Clarify role and value to members, retirees and beneficiaries and related parties
- Deepen employer relationships
- Become a retirement security thought leader and collaborative partner to the policy-making community
- Elevate role and value to the business community and general public

GOAL #3

Strengthen organizational health and performance

- Enhance the organization's ability to manage change
- Create a culture of collaboration, continuous learning, improvement and risk-awareness
- Advance technology and information security infrastructure
- Protect and sustain quality of Board governance

GOAL #4

Improve retirement security through "best fit" products, services, and education

- Explore feasibility of expanding capabilities to other public and private sector entities
- Align education, products, and services to respond to member and employer needs
- Enhance defined contribution products and service offerings
- Adapt service delivery model to member and employer preferences



Mission & Vision

2020 REFRESH



Purpose

Mission

- Who are we?

Vision

- What do we want to be?

Application

- An effective Mission and Vision translate values into action.

Process





Themes

You shared a commitment to serving PERA's members and a desire to adapt to their future needs throughout their careers and across generations.

You suggested we should:

- » Promote the full suite of PERA offerings
- » Emphasize building a relationship with members throughout their careers
- » Address the generational divide and differences among our members
- » Enable employers to use PERA as a tool to attract top talent
- » Ensure the sustainability of PERA

Objectives



RELEVANT

*Applicable to every
Division in PERA*



USEFUL

*Must connect our current
reality to PERA's goals*



CLEAR

*Must be specific and not
just an exhaustive list of
aspirational attributes*

Mission and Vision Statements



Mission and Vision Statements

Previous

Mission

- » To promote long-term financial security for our membership while maintaining the stability of the fund.

Vision

- » To become the retirement plan of choice for all Colorado public employees.

Current

Mission

- » To provide retirement security for our members while ensuring the sustainability of the fund.

Vision

- » To innovate and build on a tradition of service by being a trusted partner in order to meet the changing needs of our diverse membership.



Guiding Principles

Previous

- » We will deliver quality customer service, sound investment decisions, operational efficiency, educational programs, competitive plan design, and actively participate in legislative issues that affect our organization.
- » All activities undertaken will adhere to the guiding principles of customer focus, ethical conduct, accountability, excellence and ongoing process improvement.

Current

- Be good stewards** by emphasizing sustainability in all operations.
- Serve member needs** by delivering quality service and performance amid changing environments and expectations.
- Build strong relationships and deepen trust among all stakeholders** by exercising good governance, valuing transparency, upholding ethical conduct, enhancing communications, and providing excellent customer service.

Goal 1: Fortify PERA's financial resilience and adaptability.

What will success look like?

1. PERA is on the path toward 30-year funding as gauged by the collection of legislative actions and not just any one particular action.
2. The Board has more clarity and expectations as to how it knows that PERA is on track, including the following: the information staff will provide, reporting frequency, and what conditions trigger action.
3. PERA's investment strategy balances costs, nimbleness, and long-term performance.
4. Continued good governance has led to the achievement of the Mission, Vision, policy objectives, and high standards of excellence.
5. The Board comprises engaged, committed, and appropriately skilled trustees.
6. The Board and Executive Staff relationship is constructive, cohesive, informed, productive, and harmonious.
7. PERA adapts to and flexes with the realities of the political environment.

Goal 2: Elevate PERA's identity among stakeholders to that of a partner in providing valued retirement security outcomes.

What will success look like?

1. PERA has sustained itself as a mission-driven, focused organization with a dedicated, authentic and validated commitment to the membership.
2. PERA is an integral driver in promoting and facilitating the purpose and desirability of public service.
3. PERA has successfully increased the understanding, relevance, and importance of the value of PERA to its stakeholder base, including Colorado as a community.
4. Members and employers understand, value, and take ownership of the shared responsibility in funding retirement security.

Goal 3: Strengthen organizational health and performance.

What will success look like? PERA:

1. Reflects a self-aware, adaptable, contemporary, and professional organizational culture.
2. Is a valiant protector of confidential organizational data.
3. Has built and cultivates a workforce that is its primary asset in a technologically-modernized environment.
4. Has successfully blended employees of all types and career stages to create continuity for PERA.
5. Has optimized its operations (makes sound decisions for building in-house and when/where to outsource).
6. Continued good governance has led to the achievement of the Mission, Vision, policy objectives, and high standards of excellence.
7. The Board comprises engage, committed, and appropriately skilled trustees.
8. The Board and Executive Staff relationship is constructive, cohesive, informed, productive, and harmonious.

Goal 4: Improve retirement security outcomes through “best fit” products, services, and education.

What will success look like?

1. Members and employers understand, value, and take ownership of the shared responsibility in funding retirement security.
2. An optimized mix of DB and DC plans and associated features, benefits, and services, including health care, contributes to stronger retirement and financial security outcomes for members.
3. Products, services, and delivery engage all generations of members and drive adoption.
4. A clear PERA Mission and Vision drive member-centric, aligned decisions.



Organizational Lifecycle



Organizational Lifecycle and Board Stages Discussion

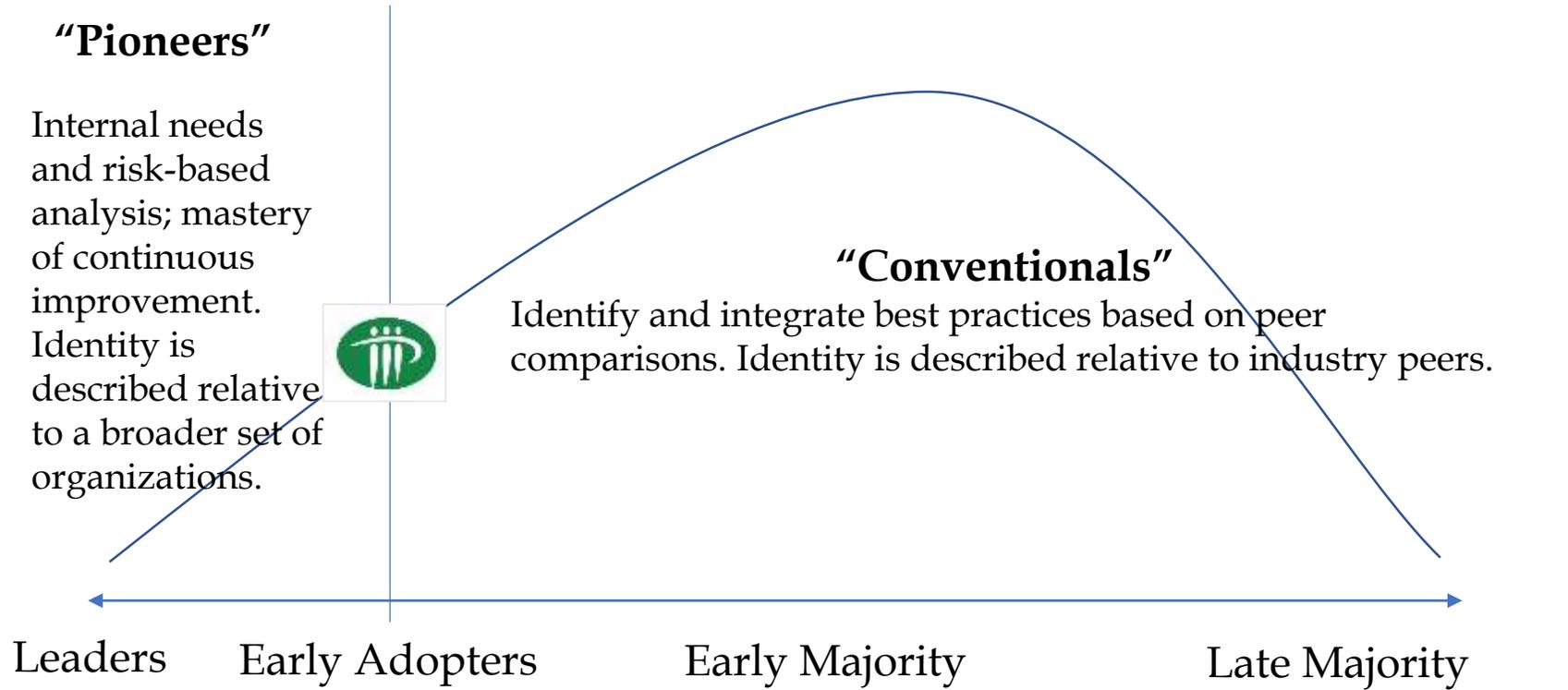
A Facilitated Discussion for the Colorado
PERA Board of Trustees

Amy McDuffee, CEBS

Catherine Jackson

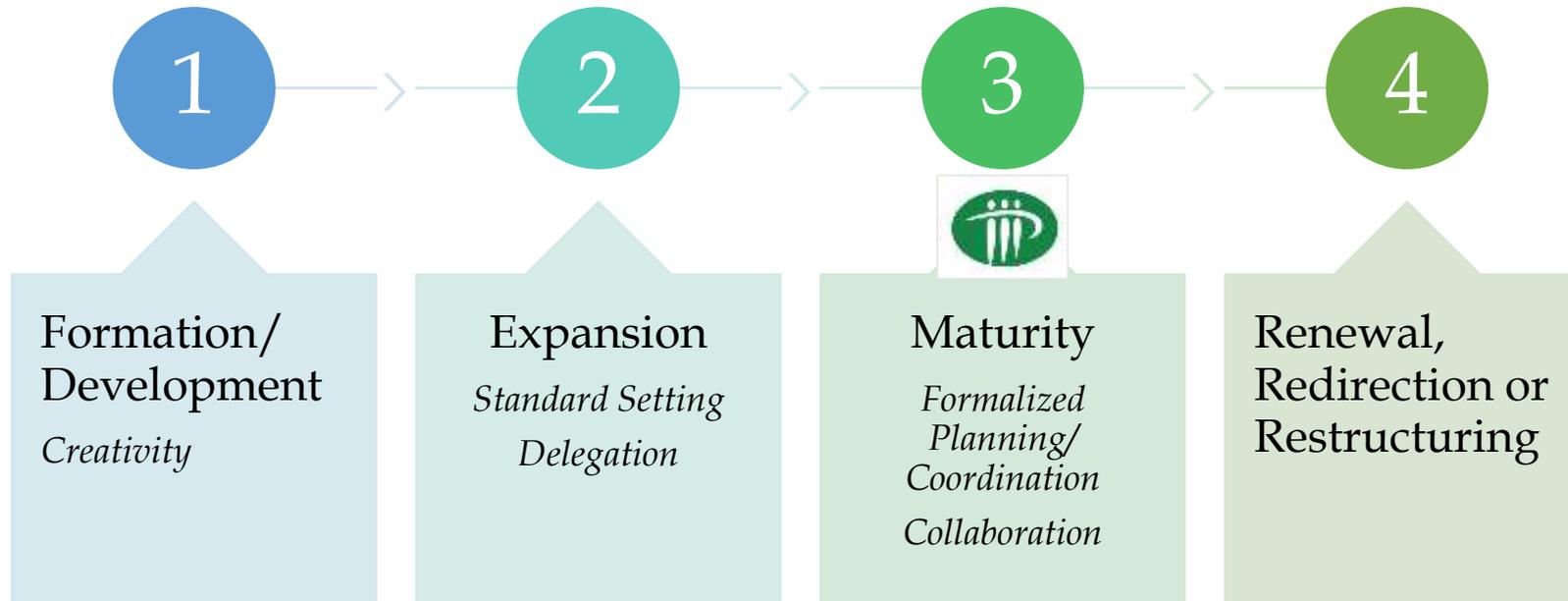
November 18, 2022

Organizational Innovation Spectrum US Public Pension Snapshot



Vision: To innovate and build on a tradition of service by being a trusted partner in order to meet the changing needs of our diverse membership.

PERA is a Mature Organization in a Mature Industry



Innovation is an imperative for PERA.

*There are many theoretical models of organizational evolution. For example, please see [Evolution and Revolution as Organizations Grow \(hbr.org\)](#). Every organization and its component units – regardless of sector - are at different developmental stages. The task of leaders is to be aware of the stages in order to proactively anticipate and successfully address change.

Public Pension Fund Board Stages



Where is PERA on this spectrum?

*Not every board will (or can/should) evolve through all stages of the lifecycle. Public pension organizations develop and grow differently. Given their long-term horizon, they may spend years at one stage or straddle multiple stages at the same time.

Board Attributes that Support Successful Innovation



Board culture models an innovative spirit



Nimble in board governance structures, practices, communications



Organizational oversight metrics align with the vision



Agendas balance oversight with strategy; emphasize discussion

“..Innovation is a complex, [organization]-wide endeavor, it requires a set of crosscutting practices and processes to structure, organize, and encourage it.”

[The eight essentials of innovation | McKinsey](#)

SOURCE: McKinsey & Co.

Discussion

- How well does the board's governance (e.g., philosophies, structures, and practices) support the organization's vision for innovation?
- Which aspects of the board's governance, if any, may benefit from reconsideration?

Next Steps in the Strategic Planning Process

- Incorporate updates, as necessary, to the “2028 vision for success” statements.
- Gather Board sentiment via survey in Q1 about PERA’s internal and external environment.
- Summarize the resulting Board sentiment and work with Executive Staff to refresh the strategic plan.



Questions and Discussion

Thank you for your time.

Mosaic Governance Advisors, LLC

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Appendix. PERA's Strategic Planning Process Timeline and Activities

