

# **Vision 2020: Investments Division Work Plan and Strategic Initiatives Update**

**Board of Investments**

**January 8, 2020**

Jonathan Grabel – Chief Investment Officer



**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION**

# Discussion Outline

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- I. Setting the Stage: Background for Vision 2020 Plan
  
- II. Vision 2020 and Beyond
  
- III. Project Schedules for 2020

# Objectives of Work Plan and Strategic Initiatives

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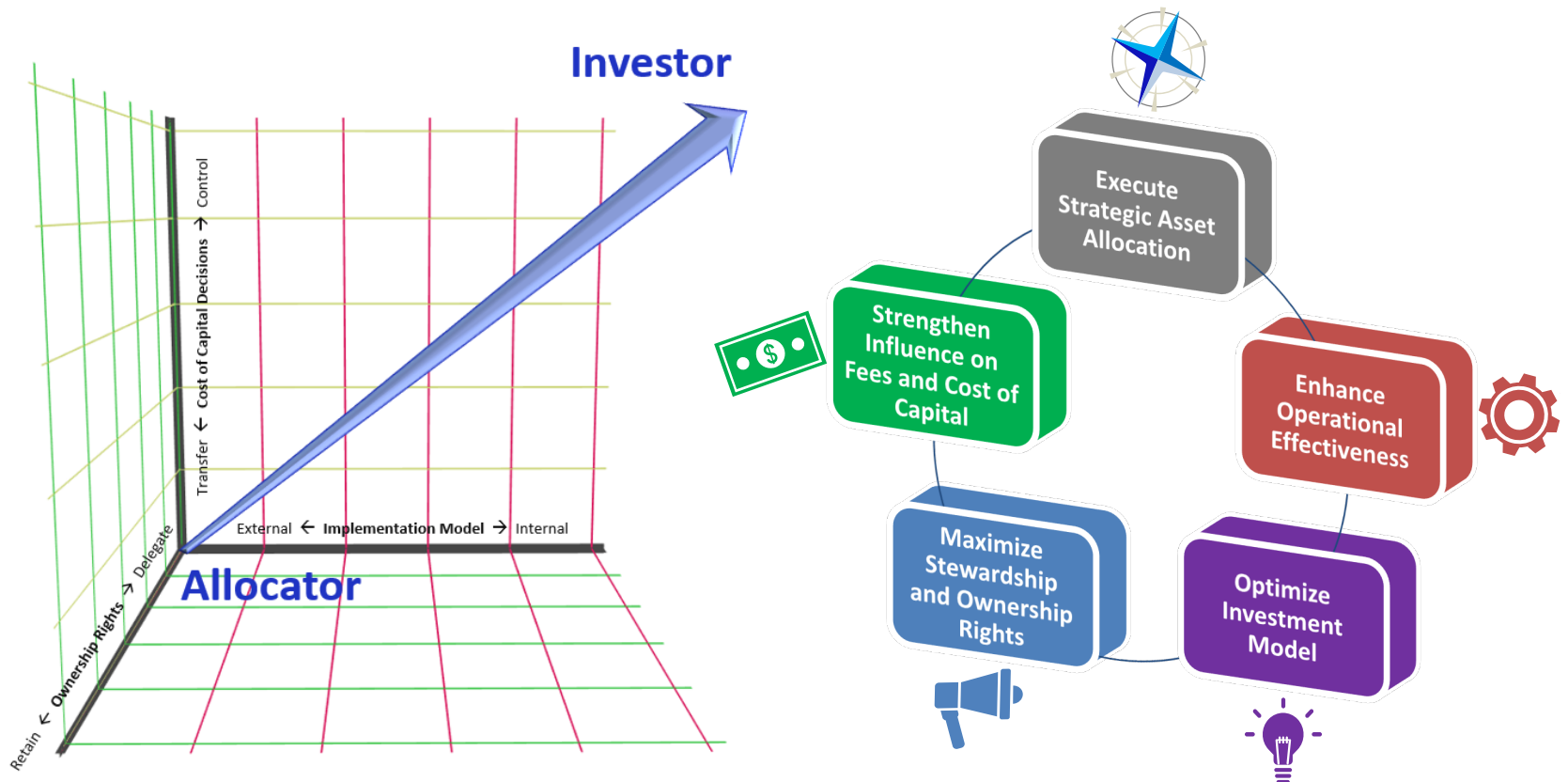


The Investments Division revisits its work plan for the coming year and beyond with the following aims:

1. Provide visibility into current and upcoming initiatives
2. Accurately reflect and synthesize all Board-approved projects and input from prior work plans, recent meetings and off-sites into a cohesive action plan
3. Promote disciplined execution and aligned resources for defined priorities

# Building From 2019 Work Plan - Recap

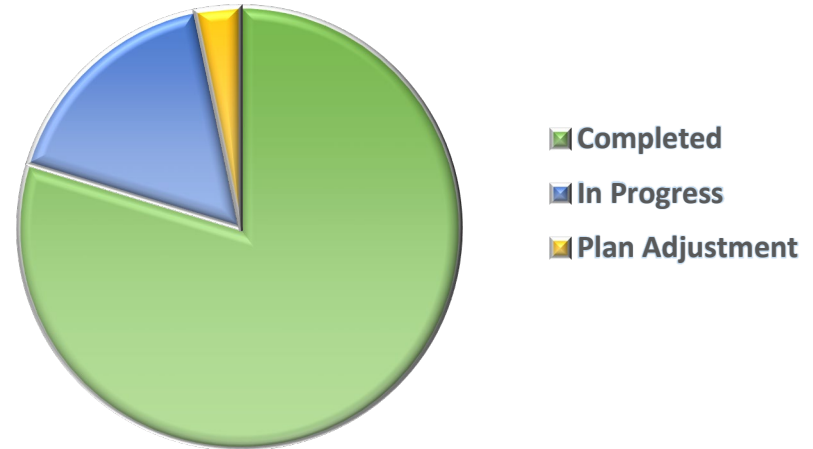
To strengthen LACERA's ability to fulfill its mission, the 2019 work plan defined and grouped projects and anticipated Board agenda items into 5 inter-related pillars designed to evolve LACERA from an *allocator of capital* to an engaged, multi-dimensional *investor*



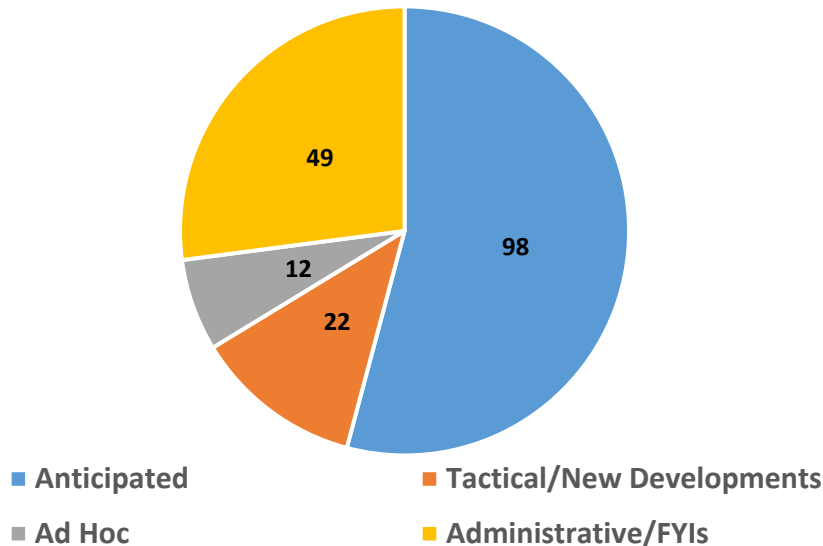
# Status Check-In: 2019 Projects Largely Accomplished

LACERA largely accomplished the 2019 projects it planned for and anticipated...

### 2019 Work Plan Project Status



### 181 Agenda Items Completed



LACERA also took on additional agenda items, both proactively developing programming and folding in ad hoc requests

# Select Highlights of 2019 Accomplishments



## Execute Strategic Asset Allocation

- Completed structure reviews for Global Equities, Credit, Real Assets, Hedge Funds, Private Equity
- Launched Real Assets completion portfolio
- Hired asset class specific consultants



## Enhance Operational Effectiveness

- Initiated search for Total Fund risk platform
- Launched RFP for administrative services for private asset classes
- Established procurement policy for investment-related services



## Optimize Investment Model

- Executed Private Equity secondaries market sales and purchases
- Implemented cash overlay program
- Hired first dedicated illiquid credit manager



## Maximize Stewardship and Ownership Rights

- Expanded proxy voting authority from about 20% to 90% by migrating to separate account structures
- Executed corporate engagements on corporate board diversity and climate risk
- Increased financial market policy advocacy with SEC comment letters, joint ILPA and CII letters and coordination



## Strengthen Influence on Fees and Cost of Capital

- Initiated internal Private Equity co-investment strategy
- Renegotiated public markets investment management agreements
- Negotiated investor-friendly fee structures

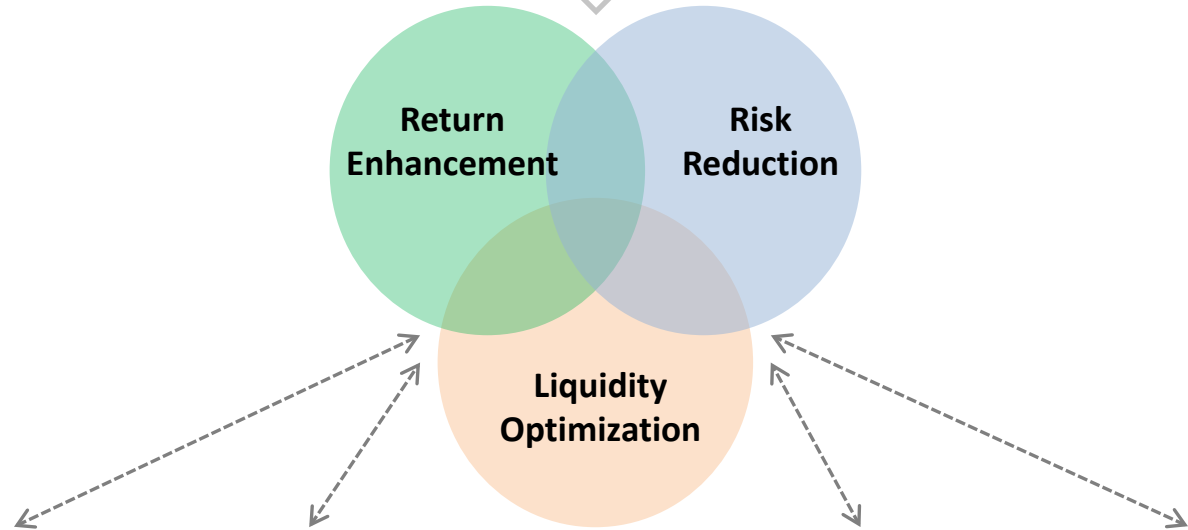
# Plan for 2020 and Beyond



# Vision 2020: Strategic Objective and Initiatives



Execute Strategic Asset Allocation  
*while balancing...*



Enhance  
Operational  
Effectiveness



Optimize  
Investment Model



Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital





# Strategic Initiatives: Example Projects



**Enhance  
Operational  
Effectiveness**



**Optimize  
Investment Model**



**Maximize  
Stewardship and  
Ownership Rights**



**Strengthen  
Influence on Fees  
and Cost of Capital**

Initiatives

	Enhance Operational Effectiveness	Optimize Investment Model	Maximize Stewardship and Ownership Rights	Strengthen Influence on Fees and Cost of Capital
Short Term (2020)	<ul style="list-style-type: none"> <li>• Alternative assets administrative services RFP</li> <li>• Benchmark review</li> <li>• Conduct business continuity plan exercises</li> <li>• Active overlay evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Bolster risk platform capabilities</li> <li>• Further develop sources of co-investment deal flow</li> <li>• Continue internal management feasibility study</li> </ul>	<ul style="list-style-type: none"> <li>• Expand proxy voting</li> <li>• Execute engagement priorities</li> <li>• Corporate governance policies review</li> <li>• Extend ESG scorecard across asset classes</li> </ul>	<ul style="list-style-type: none"> <li>• Explore co-investments across additional asset categories</li> <li>• Dedicated managed account (DMA) services provider RFP</li> <li>• Pursue founder's class opportunities</li> </ul>

# Strategic Initiatives: Example Projects



**Enhance  
Operational  
Effectiveness**



**Optimize  
Investment Model**



**Maximize  
Stewardship and  
Ownership Rights**



**Strengthen  
Influence on Fees  
and Cost of Capital**

<p><b>Medium Term (2-4 years)</b></p>	<ul style="list-style-type: none"> <li>• Adopt dedicated managed account (DMA) service provider</li> <li>• Strengthen Investments Division culture</li> <li>• Enhance data and analytics capabilities across all asset categories</li> <li>• Redesign Board materials</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluate factor-based fixed income strategies</li> <li>• Continue building private Real Assets program</li> <li>• Develop risk budgeting methodology</li> </ul>	<ul style="list-style-type: none"> <li>• Assess portfolio climate risk exposure</li> <li>• Refine manager ESG due diligence</li> <li>• Continue to promote diversity and inclusion initiatives</li> <li>• Author thought/white papers</li> </ul>	<ul style="list-style-type: none"> <li>• Consider alternative private market investment structures</li> <li>• Evaluate performance-based fees for liquid markets</li> <li>• Enhance fee reporting to include fee attribution on alpha</li> </ul>
<p><b>Long Term (5+ years)</b></p>	<ul style="list-style-type: none"> <li>• Further improve performance reporting</li> <li>• Expand portfolio company data analysis</li> <li>• Enhance compliance monitoring program</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluate private equity replication strategies</li> <li>• Research alpha/beta investment approaches</li> <li>• Explore investment alliances with like-minded institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Integrate climate-aware strategic asset allocation</li> <li>• Increase influence with policy makers</li> <li>• Consider implications of different investment models</li> </ul>	<ul style="list-style-type: none"> <li>• Align staffing with evolving investment model</li> <li>• Consider seeding spin-out managers</li> <li>• Optimize cost of capital efficiency across asset categories</li> </ul>

