


December 30, 2022

TO: Trustees – Board of Investments

FROM: Jonathan Grabel 
Chief Investment Officer

FOR: January 11, 2023 Board of Investments Meeting

SUBJECT: **TOWARDS BEST-IN-CLASS INVESTOR: 2023 WORK PLAN AND STRATEGIC INITIATIVES**

RECOMMENDATION

Approve the 2023 Work Plan and Strategic Initiatives.

BACKGROUND

Attached is the recommended Work Plan and Strategic Initiatives for calendar year 2023. It includes key agenda items for calendar year 2023 while reviewing Strategic Initiatives that the Board of Investments has approved. Prospective agenda items and committee schedules are subject to future modifications by the Board.

Attachment

Towards Best-In-Class Investor

2023 Work Plan and Strategic Initiatives

Investments Division

Board of Investments
January 11, 2023

Jonathan Grabel – Chief Investment Officer



2023 Work Plan Recommendation and Overview

Recommendation

- Approve the 2023 Work Plan and Strategic Initiatives

Overview



The updated 2023 Work Plan and Strategic Initiatives for LACERA's Investments Division aims to:

1. Provide **visibility** into current and upcoming initiatives
2. Reflect and **synthesize** Board-approved projects and input, recent Board meetings, and Offsite discussions into a cohesive action plan
3. Promote **disciplined execution** and aligned resources for defined priorities while acknowledging that LACERA is resilient and adaptable to unforeseen circumstances

LACERA Investments Division

Work Plan and Strategic Initiatives Timeline

Components of the Investments Division's Work Plan and Strategic Initiatives have evolved over several years while maintaining the goal to improve portfolio outcomes



2023 Work Plan

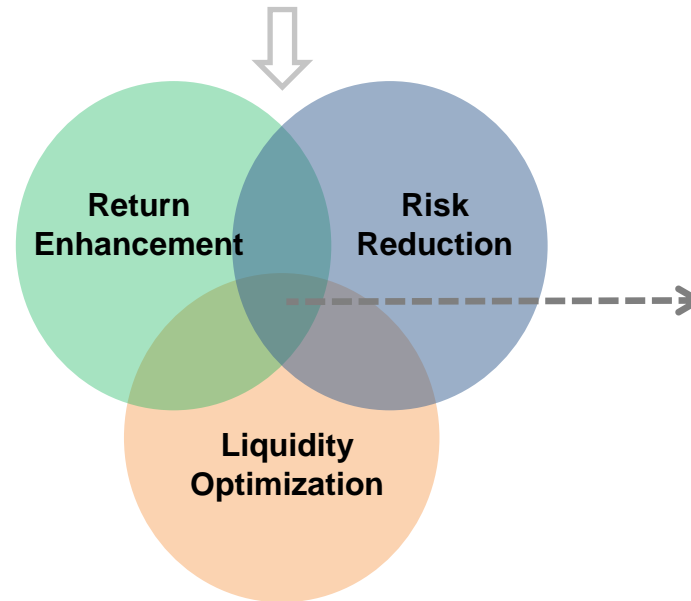
Background and Strategic Initiatives

Investment
Mission



Execute Strategic Asset Allocation

while balancing...



**Produce,
Protect, and
Provide the
Promised
Benefits**

Strategic
Initiatives



**Enhance
Operational
Effectiveness**



**Optimize
Investment
Model**



**Maximize
Stewardship and
Ownership Rights**



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



**LACERA
T.I.D.E.**

2023 Work Plan

Strategic Initiatives Towards Best-In-Class Investor

Across LACERA's five strategic initiatives, our **journey** from an allocator to a best-in-class investor has numerous elements of **recent progress** and **future aspirations**



2023 Work Plan

Strategic Initiatives



Enhance
Operational
Effectiveness



Optimize
Investment
Model



Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



LACERA
T.I.D.E.



**Enhance
Operational
Effectiveness**

Objective:

To maximize the efficiency of our resources (internal and external, human and technological) and mitigate varied investment and enterprise risks, which can improve future outcomes

Progress:

- Enhanced risk analytics and reporting
- Improved asset transparency and wire transfer processes
- Established single-investor vehicles and dedicated managed accounts

Aspirations:

- Continuous improvement of investment and operational due diligence
- Optimize presentation and quality of information provided to the Board
- Advance OPEB strategic asset allocation and unitization structure
- Derive and maximize value from technology
- Avoid uncompensated complexity

2023 Work Plan

Strategic Initiatives



Enhance
Operational
Effectiveness



Optimize
Investment
Model



Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
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LACERA
T.I.D.E.



Optimize Investment Model

Objective:

To leverage our competitive advantages through deliberate investment models and structures that harness technology, cost effectiveness, and human capital to maximize risk-adjusted returns

Progress:

- Expanded co-investment programs to additional asset categories
- Created revenue sharing agreements with asset managers through emerging manager programs
- Completed analysis of internal asset management for public markets

Aspirations:

- Evolve internal staff investment committees
- Further cultivate an investor mindset
- Continuously right-size capital invested to asset managers and mandates

2023 Work Plan

Strategic Initiatives



Enhance
Operational
Effectiveness



Optimize
Investment
Model



Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



LACERA
T.I.D.E.



**Maximize
Stewardship and
Ownership Rights**

Objective:

To steward our investments – including legal rights associated with them – in a manner that promotes and safeguards our economic interests and durable financial value, including through proxy voting, engagement, and policy advocacy

Progress:

- Institutionalized consistent ESG and DEI due diligence and monitoring across all mandates
- Routinized global proxy voting consistent with LACERA Principles
- Expanded engagements on board diversity, climate, public policy

Aspirations:

- Expanding climate risk analysis to total Fund including private markets
- Implement recently restated Responsible Contractor Policy
- Integrate Global Real Estate Sustainability Benchmark in real assets
- Assume voting rights in OPEB separate account structure
- Amplify progress and leadership in governance and ESG initiatives

2023 Work Plan

Strategic Initiatives


Enhance
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Stewardship and
Ownership Rights


Strengthen
Influence on Fees
and Cost of Capital


LACERA
T.I.D.E.



Strengthen Influence on Fees and Cost of Capital

Objective:

To strengthen our influence on fees and cost of capital with the goal of maximizing returns by minimizing cost across all investment strategies and structures in a manner that promotes durable investment returns

Progress:

- Increased allocation to private equity co-investment program, reducing costs
- Elevated non-economic terms such as capacity rights, revenue sharing, and beneficial rights
- Established dedicated managed accounts with better terms

Aspirations:

- Be “term-makers” as opposed to “term-takers”
- Promote creativity and solutions when tailoring terms
- Further measure and reduce costs across portfolio

2023 Work Plan

Strategic Initiatives


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Strengthen
Influence on Fees
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LACERA
T.I.D.E.



LACERA
T.I.D.E.

Objective:

To improve outcomes through comprehensive, total Fund efforts that encourage constructive, inclusive, and equitable talent management at investment partners, industry, and internally

Progress:

- Instituted comprehensive annual updates to the BOI
- Increased insight of manager practices for portfolio evaluation
- Vast increase in manager reporting, DEI focus, and candor
- Expanded industry collaboration and external advocacy
- Expanded allocation opportunities for emerging managers

Aspirations:

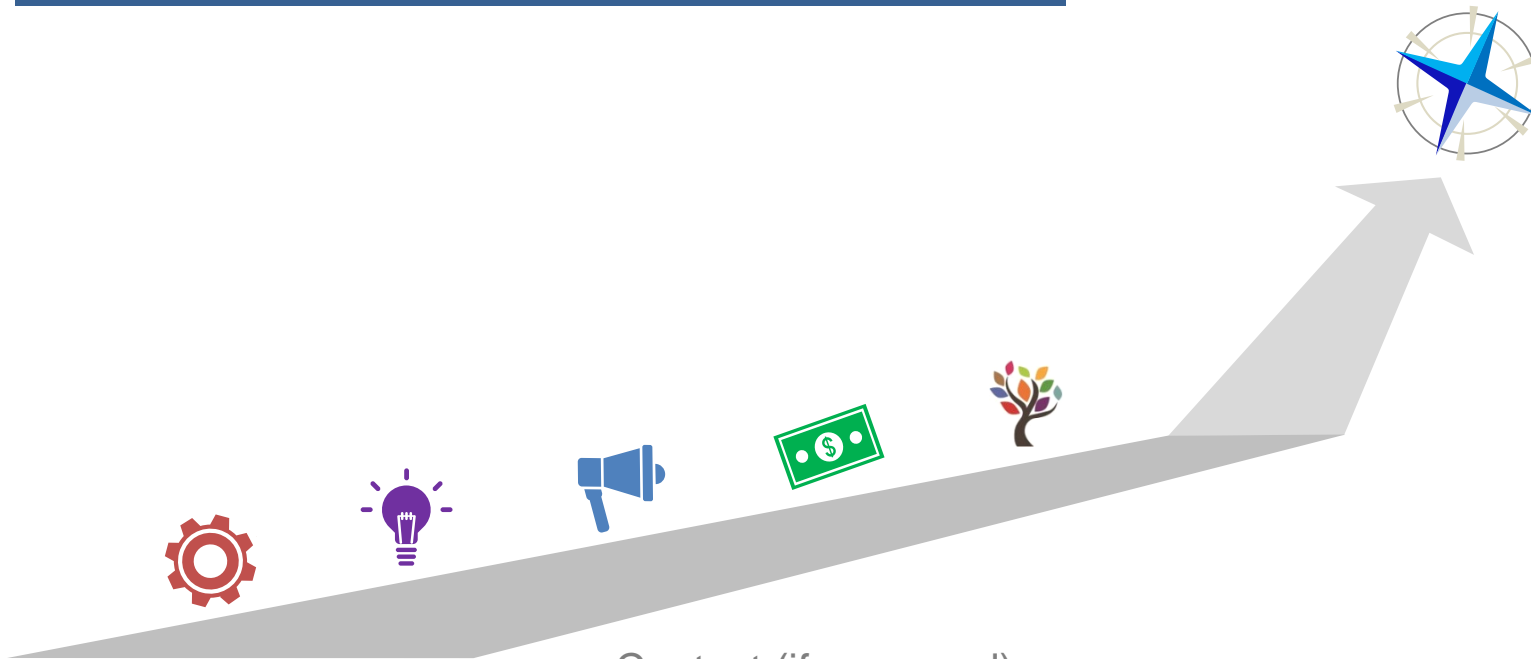
- Constructive influence for manager adoption of leading DEI practices
- Evolve holistically towards inclusion and diversity and equity
- Maximize functional empowerment and engagement of internal team

2023 Work Plan Recommendation

Recommendation:

Approve the 2023 Work Plan and Strategic Initiatives

Execute
Strategic Asset Allocation
Towards Best-In-Class Investor



Context (if approved):

- The Investments Division's 2023 Work Plan and Strategic Initiatives would be a component of LACERA's strategic plan
- The Investments Division may re-evaluate its work plan as circumstances warrant

Appendix



Prospective 2023 Calendar

	January	February	March	April	May	June	July	August	September	October	November	December
Board of Investments	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	[Potential Offsite]											
Corporate Governance Committee				✓						✓		
Credit and Risk Mitigation Committee					✓				✓			
Equity: Public/Private Committee			✓				✓				✓	
Real Assets Committee						✓						✓

- Each committee meets at least two times per calendar year
- Additional meetings would be scheduled on an as-needed basis
- Will work with the Board regarding Offsite format and logistics



2023 Work Plan

1st Quarter Preliminary Monthly Calendar

FEBRUARY 8, 2023	
Board of Investments:	
Category	Subject
Total Fund	OPEB Public Markets Search Minimum Qualifications Recommendation
Growth	Private Equity Investment Recommendation
Committee: (open)	
Category	Subject

MARCH 8, 2023	
Board of Investments:	
Category	Subject
Total Fund	Trust and OPEB Performance Report and Review
Total Fund	General Consultant Trust and OPEB Performance Report
Growth	Private Equity Investment Recommendations
Real Assets	Investment Recommendation
Committee: Equity: Public/Private	
Category	Subject
Growth	Private Equity Performance Report and Review
Growth	Guest Speaker(s)

Please note that certain listed items are subject to Committee advancement and/or Board approval.



2023 Work Plan

2nd Quarter Preliminary Monthly Calendar

APRIL 12, 2023

Board of Investments:

Category	Subject
Total Fund	Annual Securities Lending Income Report
Growth	Private Equity Investment Recommendation
Real Assets	Investment Recommendation

Committee: Corporate Governance

Category	Subject
Corporate Gov.	Principles Policy Review
Corporate Gov.	Guest Speaker(s)

MAY 10, 2023

Board of Investments:

Category	Subject
Total Fund	OPEB Public Markets Search Recommendation
Growth	Private Equity Investment Recommendation

Committee: Credit and Risk Mitigation

Category	Subject
Credit	Performance Report and Review
Risk Mitigation	Performance Report and Review
Credit	Guest Speaker(s)

JUNE 14, 2023

Board of Investments:

Category	Subject
Total Fund	Trust and OPEB Performance Report
Total Fund	General Consultant Trust and OPEB Performance Report
Growth	Private Equity Investment Recommendation
Real Assets	Investment Recommendation

Committee: Real Assets

Category	Subject
Real Assets	Implementation Update
Real Assets	Guest Speaker(s)
Real Assets	Performance Report and Review

Please note that certain listed items are subject to Committee advancement and/or Board approval.



2023 Work Plan

3rd Quarter Preliminary Monthly Calendar

JULY 12, 2023	
Board of Investments:	
Category	Subject
Total Fund	Board Offsite (potential)
Total Fund & OPEB	Strategic Asset Allocation Study - Process Overview
Real Assets	Real Estate Findings Update Memo
Growth	Private Equity Investment Recommendation
Credit	Investment Recommendation
Committee: Equity: Public/Private	
Category	Subject
Growth	Global Equity – Review of Active Portfolio

AUGUST 9, 2023	
Board of Investments:	
Category	Subject
Total Fund	Board Offsite (potential)
Real Assets	Real Assets and Real Estate Emerging Manager Program Search Manager Recommendation
Committee: (open)	
Category	Subject

SEPTEMBER 13, 2023	
Board of Investments:	
Category	Subject
Total Fund	Board Offsite (potential)
Total Fund	Trust and OPEB Performance Report and Review
Total Fund	General Consultant Trust and OPEB Performance Report
Growth	Private Equity Portfolio Performance Review
Real Assets	Private Fund Investment Recommendation
Committee: Credit and Risk Mitigation	
Category	Subject
Credit	Structure Review
Risk Mitigation	Structure Review

Please note that certain listed items are subject to Committee advancement and/or Board approval.



2023 Work Plan

4th Quarter Preliminary Monthly Calendar

OCTOBER 11, 2023

Board of Investments:

Category	Subject
Total Fund & OPEB	Strategic Asset Allocation Study
Total Fund	Fee Attribution Analysis
Growth	Private Equity Investment Recommendation
Real Assets	Investment Recommendation
Real Assets	Responsible Contractor Policy – Compliance Update

Committee: Corporate Governance

Category	Subject
Corporate Gov.	Proxy Voting Results and Trends
Corporate Gov.	Review of Engagement and Stewardship Initiatives

NOVEMBER 8, 2023

Board of Investments:

Category	Subject
Total Fund & OPEB	Strategic Asset Allocation Study
Credit	Asset Category Consultant Search Minimum Qualifications Recommendation
Risk Mitigation	Asset Category Consultant Search Minimum Qualifications Recommendation
Real Assets	Asset Category Consultant Search Minimum Qualifications Recommendation
Real Assets	Investment Recommendation

Committee: Equity: Public/Private

Category	Subject
Growth	Global Equity MSCI Risk Review
Growth	Private Equity Performance Report and Review

DECEMBER 13, 2023

Board of Investments:

Category	Subject
Total Fund & OPEB	Strategic Asset Allocation Study
Total Fund	Trust and OPEB Performance Report
Total Fund	General Consultant Trust and OPEB Performance Report
Total Fund	T.I.D.E. Initiative Update
Total Fund	7514.7 – Investment Fee Update
Other	Actuarial Valuation of Retirement Benefits

Committee: Real Assets

Category	Subject
Real Assets	Structure Review
Real Assets	Guest Speaker(s)

Please note that certain listed items are subject to Committee advancement and/or Board approval.

