



# **DEPARTMENT OF FIRE AND POLICE PENSIONS**

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## **REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**

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**DATE:** APRIL 18, 2024 **ITEM:**

**FROM:** JOSEPH SALAZAR, GENERAL MANAGER

**SUBJECT:** THIRD QUARTER REPORT OF THE 2023-24 BUSINESS PLAN AND POSSIBLE BOARD ACTION

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### **RECOMMENDATION**

That the Board:

1. Authorize a revision to the Business Plan for Project No. 2 – Implementation of Asset Allocation Plan, to update the details of the Project Milestones and Resources;
2. Authorize a revision to the Business Plan for Project No. 9 – Cost Effectiveness Measurement (CEM) Benchmarking, to update the details of the Project Objective, Deliverables, and Project Milestones;
3. Authorize a revision to the Business Plan for Project No. 13 – Efforts to Advance Diversity, Equity, and Inclusion (DEI) in Investment Program, to update the details of the Project Milestones; and,
4. Authorize Staff to make technical corrections to more accurately reflect Project Leads throughout the 2023-24 Business Plan.

### **BACKGROUND**

Staff is providing the third quarter report on the status and progress of the 2023-24 Business Plan projects (Attachments I and II).

The 2023-24 Business Plan was approved by the Board on June 15, 2023, and includes a total of 13 projects that fall within the Department's current six (6) Strategic Goals:

1. Ensure a Financially Sound Retirement System
2. Manage Risk Throughout the Organization
3. Enhance Customer Care & Stakeholder Relations
4. Pursue Operational Efficiencies
5. Build and Support a Talented Workforce
6. Promote Diversity, Equity, and Inclusion (DEI) Throughout the Organization Including Our Investment Portfolio and Business Partners

These primary goals help keep the System resources focused on the most critical areas to ensure we successfully fulfill our Mission: *“To advance the health and retirement security of those who dedicate their careers and risk their lives to protect the people of Los Angeles.”* The 2023-24 Business Plan third quarter report is summarized in Attachment I, the 2023-24 Business Plan Dashboard. This attachment provides a brief overview of the projects, including the progress toward meeting the Milestones, the overall project duration, the overall project status, and whether the project is over/under budget. As presented in Attachment I, the status of the 2023-24 Business Plan through the third quarter is summarized as follows:

- Nine (9) out of the 13 projects are on schedule and within budget;
- One (1) out of the 13 projects has been completed ahead of schedule;
- Two (2) out of the 13 projects are at risk of falling behind schedule; and,
- One (1) out of the 13 projects is behind schedule.

## **PROJECT COMPLETED AHEAD OF SCHEDULE**

### Project No. 12 - Diversity, Equity, and Inclusion (DEI) Training Initiative and Program

LAFPP hosted two (2) DEI training sessions on December 12, 2023 and March 28, 2024, which focused on DEI issues such as equity vs. equality, privileged vs. marginalized social identities, systemic biases and barriers to inclusion, etc. Each training also featured breakout sessions for staff to further unpack these topics in smaller group settings. In addition, LAFPP solicited volunteers and established a five (5)-member DEI Committee with representatives from each division. This Committee has been working to establish the goals of the committee, which include identifying organizational barriers, creating opportunities to celebrate diversity, and providing feedback to Management on creating a workplace where all staff feel that their contributions, talents, opinions, and voice are welcomed.

## **PROJECTS AT RISK OF FALLING BEHIND SCHEDULE**

### Project No. 2 – Implementation of Asset Allocation Plan

On March 7, 2024, the Board approved a revised fixed income asset class structure based on a study conducted by RVK with input from Investments staff. Investments staff anticipates implementing the adopted changes to the asset class, including the search for a new active core fixed income manager, pursuant to the current Business Plan project timeline. The combined real estate and commodities structure study is in progress, but completion of the study has been delayed to July 31, 2024 to allow for a series of real assets educational presentations by RVK that will prepare the Board for the study. Additionally, the number of free manager searches provided annually by RVK has increased from three (3) to four (4).

### Project No. 9 – Cost Effectiveness Measurement (CEM) Benchmarking

Upon completion of the March 31, 2024 Milestone, CEM Benchmarking informed staff that in order to contact select clients on our behalf and develop a benchmarking cycle with interested peers, LAFPP would need to establish a sole-source contract with them. LAFPP’s previous contract with CEM Benchmarking expired in October 2022 and was not renewed. Prior to establishing a new contract with CEM Benchmarking, Administrative Services staff recommends meeting with the Internal Audit and City Attorney staff to determine best practices to generate interest among peer systems on our own, as well as the efficacy of continuing benchmarking analysis for the Fund. By the June 30, 2024

Milestone, Administrative Services staff will provide the results of staff's research to the Board as part of the Fourth Quarter (Final Status) Report on the 2023-24 Business Plan.

## **PROJECT BEHIND SCHEDULE**

### Project No. 13 – Efforts to Advance Diversity, Equity, and Inclusion (DEI) in Investment Program

On March 21, 2024, Investments staff presented the Board with the results of the DEI survey sent to all LAFPP investment managers and consultants (follow up information will be provided to the Board at a future meeting, as requested). Additionally, Investments staff is in the process of planning a virtual educational event for emerging managers in coordination with the New America Alliance, an emerging manager industry organization, tentatively scheduled for May 23, 2024. Investments staff has also partnered with the Girls Who Invest (GWI) organization to launch the Investments Division's inaugural investment internship program. GWI has committed to placing two (2) college interns with LAFPP during Summer 2024. Lastly, Investments staff participated in several DEI industry events during the quarter including an Institute for Diversity and inclusion in Finance (IDiF) Fireside Chat on Emerging Manager Programs, Women's Private Equity Summit, and emerging manager panel at ALTSLA 2024. The Chief Investment Officer also participated as a judge for Emerging Manager Monthly's (an industry trade publication) Annual Emerging Manager Awards. The awards recognize talented emerging managers across seven (7) asset categories, including: Large Cap Equity, Small Cap Equity, Small-to-Mid and Mid Cap Equity, U.S. Core Fixed Income, International Equity, International Small Cap Equity, and Emerging Market Equity.

In March 2024, LAFPP was named as an honoree by Blueprint Capital Advisors through its inaugural Diversity, Equity and Inclusive Capitalism Power100 List (DEIC Power100 List). The list recognizes people and organizations that have demonstrated leadership in advancing DEI within the investment industry. The entire DEIC Power100 List and further information can be found here: <https://deicpower100.com/>.

The March 31, 2024 Milestone of providing the Board with a list of the Plan's public and private markets emerging managers was not completed during the quarter. In order to reduce the number of reports brought forth to the Board, this list will be incorporated into the fourth quarter milestone of providing a semi-annual comprehensive report on DEI outreach and emerging manager data.

## **BUDGET**

No additional funding is requested at this time.

## **POLICY**

No policy changes are recommended.

## **CONTRACTOR DISCLOSURE INFORMATION**

There is no contractor disclosure information required with this report.

This report was prepared by:

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Attachments: I. 2023-24 Business Plan Dashboard - Third Quarter Report  
II. 2023-24 LAFPP Business Plan – Revised April 18, 2024