



DEPARTMENT OF FIRE AND POLICE PENSIONS

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REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: JANUARY 16, 2025 **ITEM:** D.7

FROM: JOSEPH SALAZAR, GENERAL MANAGER

SUBJECT: SECOND QUARTER REPORT OF THE 2024-25 ANNUAL PLAN AND POSSIBLE BOARD ACTION

THIS REPORT IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY.

BACKGROUND

The 2024-25 Annual Plan was approved by the Board on June 20, 2024, and includes a total of five projects, of which three are Strategic Goal projects and two are Operational Initiatives projects, with one Operational Initiatives project continuing from the 2023-24 Business Plan.

Strategic Goal Projects

1. Member Surveys
2. Emerging Manager Outreach
3. In-House Training Program

Operational Initiatives Projects

1. Implementation of Asset Allocation Plan
2. Penetration Testing on Pension Administration System (PARIS) and DocuShare Site

LAFPP's current Strategic Plan Goals and Guiding Principles are displayed below.

Strategic Goals

1. Enhance Member Experience by Implementing Ongoing Improvements Based on Member Feedback
2. Enhance Outreach by Promoting Inclusivity and Engagement with Emerging Investment Managers
3. Enhance Employee Development by Increasing Opportunities for Training and Leadership Development

Guiding Principles

1. Ensure a Financially Sound Retirement System
2. Manage Risk Throughout the Organization
3. Enhance Customer Care and 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

PROJECTS ON SCHEDULE AND ON BUDGET

Strategic Goal Project No. 1 – Member Surveys

Staff developed surveys for active members, DROP participants, retirees, and beneficiaries to request feedback and suggestions for future improvements. Staff will work on finalizing the surveys for distribution by the March 31, 2025 milestone.

Strategic Goal Project No. 2 – Emerging Manager Outreach

The September 30, 2024 and December 31, 2024 milestones have been met. On September 27, 2024, a message from the Chief Investment Officer was posted on the LAFPP website to convey the strategic value of investing in emerging managers. The link to the article was shared with the Associations to maximize outreach. At the November 21, 2024 meeting, the Board adopted an emerging manager definition for the private credit asset class. Investments staff continues to work with Systems and Communications & Education staff to redesign the emerging manager program webpage. Investments staff also continues to participate in and track emerging manager industry events. Notably, LAFPP staff co-hosted an in-person Emerging Manager Networking Forum with LACERS staff on November 14, 2024. Fifty-eight (58) emerging manager firms attended the Forum.

Strategic Goal Project No. 3 – In-House Training Program

In April 2024, LAFPP solicited interest from staff for the voluntary job rotation program. After evaluating all requests, job rotations were implemented on July 1, 2024. While LAFPP was unable to accommodate all requests without significant operational impacts, managers continue to work with those individuals who did not get rotated to identify existing or future opportunities to gain the requested job experience. Select sections within the Pensions Division are also preparing training courses on their operations and roles to provide LAFPP staff with a more comprehensive understanding of the organization as a whole. The training course outlines have been created and staff are working on developing the first draft of the training materials. Training courses are on schedule to be presented to staff by June 30, 2025.

Lastly, in September 2024, LAFPP hosted a brownbag lunch seminar to assist staff with preparing for Civil Service exams and interviews. A total of 60 participants (15 in-person and 45 virtual participants) attended the event where a panel of managers shared their experiences taking Civil Service exams and discussed interview tips based on their experience being on interview panels.

Operational Initiatives Project No. 1 – Implementation of Asset Allocation Plan

The September 30, 2024 and December 31, 2024 milestones have been met. On August 15, 2024, the Board adopted the Real Assets Structure Study. On November 7, 2024, the Board adopted the Real Assets Implementation Plan, and no investment manager searches were required. Investments staff and RVK have completed the review of the qualified candidates for the active core fixed income investment manager search. A list of finalists is scheduled to be presented to the Board on February 6, 2025, with Board interviews of the approved finalists tentatively scheduled for February/March 2025.

Operational Initiatives Project No. 2 – Penetration Testing on Pension Administration System (PARIS) and DocuShare Site

LAFPP's cybersecurity insurance carrier, Beazley, completed a penetration test on the PARIS and DocuShare systems on November 29, 2024. The primary objective of this test was to identify any vulnerabilities and potential entry points that could threaten the security of these systems. Following

the assessment, Beazley's security team provided a comprehensive report on December 13, 2024, detailing the findings and offering actionable recommendations to mitigate the identified risks and strengthen the existing security defenses. Systems staff is reviewing the recommended remediations and will be presenting an action plan to management prior to the March 2025 milestone.

BUDGET

Funding is included in the 2024-25 Adopted Budget.

POLICY

There are no policy changes proposed in this report.

CONTRACTOR DISCLOSURE INFORMATION

There is no contractor disclosure information required with this report.

This report was prepared by:

Emma C. Parris, Management Analyst
Administrative Services & Human Resources Section

JS:MTS:WKP:JMS:EJH:ECP:ADMN250047

- Attachments: I. 2024-25 Annual Plan Dashboard – Second Quarter Report
II. 2024-25 Annual Plan



**2024-25 ANNUAL PLAN DASHBOARD
SECOND QUARTER REPORT
QUARTER ENDING DECEMBER 31, 2024**

<u>Strategic Goal Projects</u>					
<u>Strategic Goals</u>	<u>Project Title</u>	Overall Project Duration	2024-25 Milestone Dates	Overall Project Schedule	Overall Project Budget
<u>Goal 1</u> Enhance Member Experience by Implementing Ongoing Improvements Based on Member Feedback	1. Member Surveys	2024-25	●	●	●
<u>Goal 2</u> Enhance Outreach by Promoting Inclusivity and Engagement with Emerging Investment Managers	2. Emerging Manager Outreach	2024-25	●	●	●
<u>Goal 3</u> Enhance Employee Development by Increasing Opportunities for Training and Leadership Development	3. In-House Training Program	2024-25	●	●	●
<u>Operational Initiatives Projects</u>					
<u>Guiding Principles</u>	<u>Project Title</u>	Overall Project Duration	2024-25 Milestone Dates	Overall Project Schedule	Overall Project Budget
Ensure a Financially Sound Retirement System	1. Implementation of Asset Allocation Plan	2022-23 2023-24 2024-25	●	●	●
Manage Risk Throughout the Organization	2. Penetration Testing on Pension Administration System (PARIS) and DocuShare Site	2024-25	●	●	●

Legend:	●	On schedule or on budget
	●	At risk of falling behind schedule or going over budget
	●	Behind schedule/over budget
	✓	Project completed

2024-25 FINAL ANNUAL PLAN

INTRODUCTION

Los Angeles Fire and Police Pensions (LAFPP) prepares an Annual Plan each fiscal year consisting of projects to help accomplish its Strategic Plan Goals, as well as support its Guiding Principles. With preparation of the Annual Plan, LAFPP strives to fulfill our Vision and support our Mission as outlined in the 2025-27 Three-Year Strategic Plan. The Strategic Plan, as approved by the Board on January 18, 2024, reaffirms LAFPP's commitment to:

Vision

A secure and prosperous future for our members.

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 2025-27 Three-Year Strategic Plan was developed with input from the Board, the General Manager, our Plan member representatives, and LAFPP staff. This collaborative effort resulted in a new framework in which six (6) prior Goals, Objectives, and Strategic Initiatives were retitled as "Guiding Principles" to reflect their role as a driving force behind every action we take as an organization. The new strategic planning framework additionally created three (3) new Strategic Goals designed to set a destination toward which LAFPP will navigate and focus its resources.

Strategic Goals

1. Enhance Member Experience by Implementing Ongoing Improvements Based on Member Feedback
2. Enhance Outreach by Promoting Inclusivity and Engagement with Emerging Investment Managers
3. Enhance Employee Development by Increasing Opportunities for Training and Leadership Development

Guiding Principles

1. Ensure a Financially Sound Retirement System
2. Manage Risk Throughout the Organization
3. Enhance Customer Care and 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

Values

- Collaboration
- Respect
- Efficiency
- Accountability
- Transparency
- Ethics
- Diversity

2024-25 FINAL ANNUAL PLAN PROJECT SUMMARY

The 2024-25 Final Annual Plan structures projects into two (2) separate categories: 1) Strategic Goal projects, and 2) Operational Initiatives projects to support one or more Guiding Principles. Projects are then organized further according to which Strategic Goal or Guiding Principle they are responsive. The 2024-25 Final Annual Plan contains five (5) projects, of which four (4) are new and one (1) is continuing from the 2023-24 Business Plan.

2024-25 Strategic Goal Projects

1	2	3
Member Surveys	Emerging Manager Outreach	In-House Training Program
<p>Strategic Goal: 1. <i>Enhance Member Experience</i> by implementing ongoing improvements based on member feedback</p> <p>Project Lead(s): Gregory Mack, Assistant General Manager, Pensions Division Anthony Torres, Chief Benefits Analyst, Pensions Division</p> <p>Project Objective: Enact process improvements that will enhance the member experience, based upon feedback from a member and beneficiary survey.</p>	<p>Strategic Goal: 2. <i>Enhance Outreach</i> by promoting inclusivity and engagement with Emerging Investment Managers</p> <p>Project Lead(s): Bryan Fujita, Chief Investment Officer, Investments Division Annie Chao, Investment Officer III, Investments Division Susan Liem, Investment Officer II, Investments Division</p> <p>Project Objective: Broaden engagement with emerging investment managers to increase the pool of candidates for LAFPP's investment portfolio, ensuring evaluation of a wide selection of managers capable of delivering superior risk-adjusted returns.</p>	<p>Strategic Goal: 3. <i>Enhance Employee Development</i> by increasing opportunities for training and leadership development</p> <p>Project Lead(s): Wilson Poon, Chief Management Analyst, Administrative Operations Division</p> <p>Project Objective: Increase training and leadership development opportunities that allow employees to be successful at their jobs and careers, create an environment where employees feel the organization is invested in their career development, improve succession planning, and increase retention of institutional knowledge.</p>

2024-25 Operational Initiatives Projects

1	2
Implementation of Asset Allocation Plan	Penetration Testing on Pension Administration System (PARIS) and DocuShare Site
<p>Guiding Principle: 1. <i>Ensure a Financially Sound Retirement System</i></p> <p>Project Lead(s): Bryan Fujita, Chief Investment Officer, Investments Division Annie Chao, Investment Officer III, Investments Division</p> <p>Project Objective: To improve the risk/return profile for the System's investments.</p>	<p>Guiding Principle: 2. <i>Manage Risk Throughout the Organization</i></p> <p>Project Lead(s): Vincent On, Systems Administrator I, Systems Section</p> <p>Project Objective: To assess the security of our Pension and Retirement Information System (PARIS) and the Content Management System website (DocuShare) and provide recommendations for strengthening them.</p>

Strategic Goal Project #1

Member Surveys

<i>Strategic Goal No.:</i>	1 – Enhance Member Experience by Implementing Ongoing Improvements Based on Member Feedback
<i>Duration:</i>	2024-25
<i>Project Lead(s):</i>	Gregory Mack, Assistant General Manager, Pensions Division Anthony Torres, Chief Benefits Analyst, Pensions Division
<i>Project Participants:</i>	Pensions Division staff and Administrative Services & Human Resources Section staff
<i>Stakeholders:</i>	LAFPP Members

OBJECTIVE

Enact process improvements that will enhance the member experience, based upon feedback from a member and beneficiary survey.

BACKGROUND

LAFPP members, retirees, and their beneficiaries rely on LAFPP to administer their pension and retiree health benefits. This project will seek to identify areas where improvements can be made to enhance the member experience by surveying members and other stakeholders.

2024-25 DELIVERABLES

LAFPP staff will work with the Fire/Police Relief Associations, Unions, and Los Angeles Retired Fire and Police Association (LARFPA) representatives to gather ideas on improvements that LAFPP can make to enhance the member experience. Staff will also develop and release a series of surveys to gather feedback from members and beneficiaries. Information from the surveys will be used to identify enhancements that can be implemented in Fiscal Years 2025-26 and 2026-27.

2024-25 MILESTONES

BY SEPTEMBER 30, 2024:

Meet with Associations, Unions, LARFPA, LAFPP Pensions Division staff, and Administrative Services & Human Resources Section staff to gather ideas on enhancements to improve member experiences that will be used in development of the surveys.

BY DECEMBER 31, 2024:

Develop a series of surveys directed to active members, DROP participants, retirees, and beneficiaries to gather data and request suggestions on future improvements to enhance the member experience.

Strategic Goal Project #1

Member Surveys

2024-25 MILESTONES (cont.)

BY MARCH 31, 2025:

Begin to send out surveys to members and beneficiaries.

BY JUNE 30, 2025:

Complete surveys of members and beneficiaries.

METRICS

Conduct at least one (1) survey in each of the following areas:

- a) Process improvements related to MyLAFPP;
- b) Retirement/DROP processing;
- c) Member communications;
- d) Member education; and,
- e) Active member services.

RESOURCES

Surveys will be created and administered by LAFPP staff. The estimated cost of postage for mailing survey notifications to members, pensioners, and their beneficiaries is less than \$10,000.

Strategic Goal Project #2

Emerging Manager Outreach

<i>Strategic Goal No.:</i>	2 – Enhance Outreach by Promoting Inclusivity and Engagement with Emerging Investment Managers
<i>Duration:</i>	2024-25
<i>Project Lead(s):</i>	Bryan Fujita, Chief Investment Officer, Investments Division Annie Chao, Investment Officer III, Investments Division Susan Liem, Investment Officer III, Investments Division
<i>Project Participants:</i>	Executive Management; Investments staff; General Investment Consultant; Private Equity, Private Credit, and Real Estate Consultants
<i>Stakeholders:</i>	Board Members, Investments staff, and LAFPP Members

OBJECTIVE

Broaden engagement with emerging investment managers to increase the pool of candidates for LAFPP's investment portfolio, ensuring evaluation of a wide selection of managers capable of delivering superior risk-adjusted returns.

BACKGROUND

The Plan's primary investment objective is to provide retirement benefits to LAFPP members, retirees, and their beneficiaries through a carefully planned and executed investment program that generates an appropriate risk-adjusted return. This project will seek to enhance the Plan's outreach efforts to emerging investment managers in order to expand the set of investment opportunities considered for the Plan's portfolio and achieve appropriate risk-adjusted returns.

2024-25 DELIVERABLES

Investments staff will improve communication to emerging managers about LAFPP's Emerging Manager Program by enhancing LAFPP's emerging manager webpage content and functionality, clarifying and revising emerging manager definitions in the Investment Policies, and participating in emerging manager industry events. Investments staff will also develop and send a communication to members and stakeholders explaining the purpose of Strategic Goal #2 and the potential investment benefits gained.

2024-25 MILESTONES

BY SEPTEMBER 30, 2024:

- a) Draft and send a communication to members and other stakeholders explaining the purpose of conducting enhanced outreach to emerging managers;

Strategic Goal Project #2

Emerging Manager Outreach

2024-25 MILESTONES (cont.)

BY SEPTEMBER 30, 2024 (cont.):

- b) Review emerging manager program content currently available on LAFPP's website and develop ideas for webpage improvements, including expanding the scope of information available for public and private markets asset classes;
- c) Create a dedicated email address for emerging managers interested in conducting business with LAFPP and post email address to the website; and,
- d) Participate in and track emerging manager industry events (subject to event scheduling).

BY DECEMBER 31, 2024:

- a) Consider creating a private credit asset class emerging manager definition for inclusion in the Investment Policies and present proposed policy revisions to the Board for approval;
- b) Develop conceptual design for new emerging manager program webpage;
- c) Determine feasibility of creating a manager intake form on the LAFPP website to allow emerging managers to upload firm and investment strategy information for staff's review and consideration; and,
- d) Participate in and track emerging manager industry events (subject to event scheduling).

BY MARCH 31, 2025:

- a) Begin development of the new emerging manager webpage; and,
- b) Participate in and track emerging manager industry events (subject to event scheduling).

BY JUNE 30, 2025:

- a) Launch the new emerging manager webpage;
- b) Explore hosting or co-hosting with an industry peer an emerging manager educational event; and,
- c) Participate in and track emerging manager industry events (subject to event scheduling).

METRICS

- a) Number of meetings with emerging managers taken by staff;
- b) Number of emerging manager events staff participated in;
- c) Number of emails sent by emerging managers to the dedicated emerging manager email address; and,
- d) Number of emerging managers that submit firm and investment strategy information via the website (if creation of an intake form is feasible).

Strategic Goal Project #2

Emerging Manager Outreach

RESOURCES

The costs associated with travel and event registration fees have been included in the 2024-25 Budget. No other costs are anticipated.

Strategic Goal Project #3

In-House Training Program

<i>Strategic Goal No.:</i>	3 – Enhance Employee Development by Increasing Opportunities for Training and Leadership Development
<i>Duration:</i>	2024-25
<i>Project Lead(s):</i>	Wilson Poon, Chief Management Analyst, Administrative Operations Division
<i>Project Participants:</i>	LAFPP staff
<i>Stakeholders:</i>	LAFPP staff

OBJECTIVE

Increase training and leadership development opportunities that allow employees to be successful at their jobs and careers, create an environment where employees feel the organization is invested in their career development, improve succession planning, and increase retention of institutional knowledge.

BACKGROUND

This project will seek to develop a comprehensive in-house training program to provide staff with the tools and resources to be successful at their jobs and in their City careers. This training program will also assist LAFPP in succession planning and retaining institutional knowledge.

2024-25 DELIVERABLES

Human Resources (HR) staff will continue to administer the voluntary job rotation program established through 2023-24 Business Plan Project No. 11. In addition, HR staff will work with LAFPP section managers to create an in-house training program that supplements the City-mandated training. Specifically, HR staff will work with Pensions Division Section Managers (Medical & Dental Benefits, Active Member Services, Retirement Services, and DROP/Service Pensions) to create training courses for LAFPP staff to develop a broad benefits knowledge base. Additional sections will be explored in subsequent fiscal years. Lastly, HR staff will explore the creation of an employee mentoring program and identifying voluntary cross-training opportunities.

2024-25 MILESTONES

BY SEPTEMBER 30, 2024:

- a) Implement voluntary job rotation program;
- b) Host first brownbag lunch seminar; and,
- c) Develop outline for each Pensions Division training course.

Strategic Goal Project #3

In-House Training Program

2024-25 MILESTONES (cont.)

BY DECEMBER 31, 2024:

Develop first draft of each pension related training course with PowerPoint, written exercises, and/or visuals.

BY MARCH 31, 2025:

- a) Conduct research on feasibility of establishing an employee mentoring program; and,
- b) Deliver pension related training to Pensions Division staff for critique and feedback.

BY JUNE 30, 2025:

- a) If feasible, establish an employee mentoring program;
- b) Host a second brownbag lunch seminar; and,
- c) Conduct one (1) pension-related training session for all LAFPP staff for each course.

METRICS

- a) Conduct two (2) brownbag lunch seminars;
- b) Implement a voluntary job rotation program; and,
- c) Develop four (4) Pensions Division training courses.

RESOURCES

No additional resources are required. All project deliverables will be implemented with existing resources.

Operational Initiatives Project #1

(CONTINUING) Implementation of Asset Allocation Plan

<i>Guiding Principle No.:</i>	1 – Ensure a Financially Sound Retirement System
<i>Duration:</i>	2022-23, 2023-24, 2024-25
<i>Project Lead(s):</i>	Bryan Fujita, Chief Investment Officer, Investments Division Annie Chao, Investment Officer III, Investments Division
<i>Project Participants:</i>	Investments Division and General Investment Consultant
<i>Stakeholders:</i>	Board Members, Investments staff, LAFPP Members, and the City

OBJECTIVE

To improve the risk/return profile for the System's investments.

BACKGROUND

The Board Investment Policies Section 1.6 states, in part: "The Board shall conduct an Asset Allocation study every three to five years." At the September 1, 2022 meeting, RVK, the Board's General Investment Consultant presented the Asset Allocation Study, which covered the methodology for conducting the study, key asset allocation concepts, and the Board's current target asset allocation. RVK also presented alternate asset allocation options for the Board to consider. The Board approved the asset allocation recommendation at the October 6, 2022 Board meeting and later adopted a revised asset allocation on August 3, 2023. Now that the Board has selected an asset allocation plan, staff will continue to develop a plan for implementation.

2024-25 DELIVERABLES

Continued implementation of the Board-approved 2022-23 Asset Allocation Plan as revised on August 3, 2023.

2024-25 MILESTONES

BY SEPTEMBER 30, 2024:

- a) Continue active core fixed income investment manager search;
- b) Complete combined real estate and commodities asset class structure study; and,
- c) As necessary, seek Board approval of minimum qualifications for investment manager searches resulting from combined real estate and commodities asset class structure study and initiate searches.

BY DECEMBER 31, 2024:

Continue investment manager searches pursuant to individual search timelines and milestones.

Operational Initiatives Project #1

(CONTINUING) Implementation of Asset Allocation Plan

BY MARCH 31, 2025:

Complete investment manager searches including Board interviews of finalists and contract awards to new managers.

BY JUNE 30, 2025:

- a) Execute contracts with and fund new investment managers; and,
- b) Complete implementation of the revised 2022-23 Asset Allocation Plan.

METRICS

- a) Complete all investment manager searches as approved by the Board; and,
- b) Execute all contracts with new investment managers hired through searches.

RESOURCES

Four (4) free manager searches are provided annually by RVK, Inc. Should additional searches be required based on the Board's decisions, a budget of \$19,500 for each manager on-site will be necessary for each additional manager search beyond the four free searches per contract year.

Operational Initiatives Project #2

Penetration Testing on Pension Administration System (PARIS) and DocuShare Site

Guiding Principle No.: 2 – Manage Risk Throughout the Organization
Duration: 2024-25
Project Lead(s): Vincent On, Systems Administrator I, Systems Section
Project Participants: Systems Section
Stakeholders: LAFPP Board, LAFPP staff, and LAFPP Members

OBJECTIVE

To assess the security of our Pension and Retirement Information System (PARIS) and the Content Management System website (DocuShare) and provide recommendations for strengthening them.

BACKGROUND

It is the Systems Section's continual effort to improve the Department's security posture and pursue operational efficiencies.

2024-25 DELIVERABLES

Security vulnerabilities and weaknesses to be identified with remediation recommendations.

2024-25 MILESTONES

BY SEPTEMBER 30, 2024:

Determine scope of penetration testing and research on security vendors.

BY DECEMBER 31, 2024:

Evaluate and select security vendor for the penetration testing.

BY MARCH 31, 2025:

Conduct penetration testing and review identified vulnerabilities and remediation recommendations.

BY JUNE 30, 2025:

Coordinate with PARIS vendor and DocuShare vendor to remediate any vulnerabilities identified.

Operational Initiatives Project #2

Penetration Testing on Pension Administration System (PARIS) and DocuShare Site

METRICS

- a) Resolve at least 80% of vulnerabilities within three (3) months of identification, including those labeled as “most critical;” and,
- b) Resolve 100% of vulnerabilities within six (6) months of identification.

RESOURCES

The estimated cost of \$20,000 for penetration testing is included in the 2024-25 Budget.