

DEPARTMENT OF FIRE AND POLICE PENSIONS

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REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: FEBRUARY 1, 2018 **ITEM:** A.1

FROM: RAYMOND P. CIRANNA, GENERAL MANAGER

SUBJECT: CONSIDERATION OF THE 2019-21 THREE-YEAR STRATEGIC PLAN AND POSSIBLE BOARD ACTION

RECOMMENDATION

That the Board:

1. Consider and approve the 2019-21 Three-Year Strategic Plan (Attachment); and
2. Direct Staff to return to the Board with a 2018-19 Business Plan on March 16, 2018, that includes Business Plan Projects that will help to achieve LAFPP Goals, Objectives and Strategic Initiatives.

DISCUSSION

On December 19, 2017, the Board and LAFPP managers engaged in a strategic plan workshop facilitated by William Chiat of the Alta Mesa Group. During this workshop, the Board and senior staff reviewed the progress and accomplishments of the 2015-18 Strategic Plan and discussed current and future conditions that may affect LAFPP, our members, and our stakeholders. This workshop differed from the previous strategic plan sessions that occurred in 2014-15, in that senior staff presented their sections' roles and the emerging trends, opportunities, risks and challenges they see in the next three to five years. Lastly, the Board and staff shared thoughts on refining the existing Strategic Plan elements.

There was a healthy discussion whether to highlight our members within LAFPP Vision Statement and reverse the Vision and Mission Statements. Mr. Chiat explained that a Vision Statement is intended to be LAFPP's desired future state, what the organization will look like if it succeeds in implementing its strategic goals. He also explained that the purpose of a Mission Statement is to account for the day-to-day work performed to achieve our Vision. Therefore, whereas a Mission Statement may change as elements within our organization (e.g. responsibilities, technology and membership) change, a Vision Statement endures and should not change significantly over time. Given this explanation and since there has been no significant change in our overall direction, staff is in favor of maintaining our current Vision and Mission Statements as well as our six Values.

Mr. Chiat also shared a list of the common concerns he heard during his one-on-one conversations with the Commissioners and senior staff. The following three concerns resonated throughout these discussions: healthcare plan options and subsidies, succession planning for key managers and

technical experts, and process improvements. The Board then provided input to incorporate these areas into our Strategic Goals, Objectives and Initiatives:

- 1) Employ asset allocation strategies that will withstand both up and down market conditions;
- 2) Pursue strategies to better manage retiree health care costs and educate members about their healthcare options and costs;
- 3) Benchmark operations to identify best practices and areas for process improvements;
- 4) Combine existing Goal 3 (Enhance Customer Service to our Members) and Goal 5 (Enhance Communication Efforts and Outreach); and
- 5) Add a new Goal 5 (Build and Support a Talented Workforce).

To that end, staff has prepared for Board consideration, the attached 2019-21 Strategic Plan, which includes the current Vision Statement, Mission Statement, and six core Values and revisions to the five Strategic Goals, Objectives and Initiatives.

BUDGET

LAFPP has incurred \$6,639 to date utilizing the Alta Mesa Group, inclusive of professional fees and travel expenses, a portion of which was associated with the December 7, 2017 cancellation of the strategic planning session.

Budgetary impact of the 2018-19 Business Plan will be included in the 2018-19 Proposed Budget to be presented to the Board on March 16, 2018.

POLICY

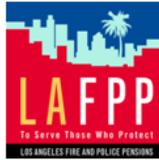
There are no policy changes associated with this report.

This report was prepared by:

Myo Thedar, Chief Benefits Analyst
Administrative Operations Division

RPC:WSR:MTS

Attachment: 2019-21 Three-Year Strategic Plan



LOS ANGELES FIRE & POLICE PENSIONS **2019-21 THREE-YEAR STRATEGIC PLAN**

Vision

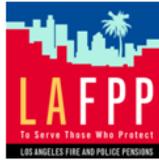
To be a leader and innovator in the public pension industry through an uncompromising dedication to excellence, customer service, transparency and education

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

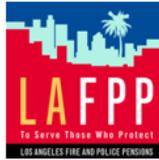
Goals

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



Values

- I) **Collaboration** – We value teamwork to achieve success and encourage staff at all levels to share ideas and offer suggestions for improving operations. We are enriched by our engagement with the Board, our members and our stakeholders.
- II) **Respect** - We treat each other and our members with kindness and dignity. We promote a fair environment and support each other by sharing information and knowledge to ensure we deliver quality services.
- III) **Efficiency** - We continually search for ways to deliver quality services and reduce administrative expenses. We promote innovation throughout the organization and use performance measurement to drive decisions.
- IV) **Accountability** – We recognize our responsibility to our members to deliver promised pension benefits. We ensure appropriate oversight to achieve excellence in service, operational and investment decision making.
- V) **Transparency** – We strive to always provide clear, accurate and complete information and transact business decisions in an open manner so that our members, the City, and the public can trust that our decisions are fair, honest and ethical.
- VI) **Ethics** – We preserve the public trust by adhering to the ethical standards established by the State, the City, and our Board.



Goals, Objectives and Strategic Initiatives

Goal 1: Ensure a Financially Sound Retirement System

Objective

- Achieve our long-term investment performance targets.

Strategic Initiatives

- Employ prudent risk-adjusted asset allocation strategies that will withstand both up and down market conditions; and
 - Measure portfolio performance against the appropriate benchmark(s) and take appropriate action when investment objectives are not met.
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Objective

- Pursue funding policies and strategies that sustain member benefits.

Strategic Initiatives

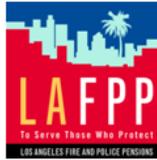
- Adopt sound actuarial policies and assumptions that balance the goals of: 1) keeping contributions relatively stable; 2) equitably allocating the cost of benefits over the member's period of actual service; and 3) achieving long-term full funding of the cost of benefits over time;
 - Pursue strategies to better manage retiree health care costs; and
 - Explore local and sustainable investment opportunities that complement our portfolio objectives and comply with our investment goals concerning risk, return and diversification.
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Objective

- Promote diversity and advocate for new and emerging managers to help build tomorrow's portfolio managers for the Plan.

Strategic Initiative

- Continue building LAFPP's Emerging Manager Program.
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Goal 2: Manage Risk Throughout the Organization

Objective

- Maintain & promote a culture of risk awareness with an enterprise-wide view.

Strategic Initiative

- Develop a top-down risk-intelligent culture that proactively identifies and acts to manage risk exposure, through enhanced governance, Board and staff training, and collaboration with stakeholders.
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Objective

- Actively monitor systems and processes to reduce or minimize risk.

Strategic Initiative

- Assess and test our systems and processes through periodic audits, risk assessments and technology to help mitigate and minimize risk in our organization.
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Goal 3: Enhance Customer Care and Stakeholder Relations

Objective

- Deliver superior customer service that is adaptive to our member needs.

Strategic Initiatives

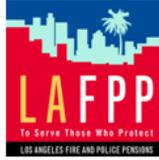
- Research and implement technology solutions to upgrade our business processes to better serve our members; and
 - Maximize educational opportunities to our members regarding their benefits, access to healthcare options and costs, and our services so that they can make informed decisions about retirement security.
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Objective

- Enhance our communication to members, the City, and the public regarding our Plan.

Strategic Initiatives

- Provide stakeholders with thorough and timely information utilizing a range of communication methods to help promote our system; and



- Continue to build and strengthen stakeholder relations with the Fire, Police, Airport and Harbor Departments, along with other City agencies, employee unions and retiree associations.
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Goal 4: Pursue Operational Efficiencies

Objective

- Implement industry best practices for continuous improvement.

Strategic Initiatives

- Identify and pursue best practice opportunities throughout the organization; and
 - Benchmark operations against similar systems.
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Objective

- Foster a “team approach” or culture of collaboration within and outside the Department to facilitate innovation.

Strategic Initiative

- Increase team engagement and encourage ideas and suggestions from the Board, employees and stakeholders to improve knowledge and communications.
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Goal 5: Build and Support a Talented Workforce

Objective

- Implement best practices for succession planning.

Strategic Initiatives

- Identify LAFPP's long-term staffing needs, the aspirations of individuals and the workforce's developmental needs, to prepare and grow future leadership pool;
 - Define targeted leadership development programs for continued professional growth of future key leaders; and
 - Develop a clearly defined and communicated career ladder program to attract and retain talent at all levels.
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