

## 4. INVESTMENT

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*Goal: To achieve satisfactory long-term risk-adjusted investment returns.*

### DESIRED OUTCOMES

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To balance accepted risk and return objectives; to be forward-looking by investigating new strategies and programs; to provide the highest level of risk management; and to promote professional enhancement.

Achievement of the Investment Goal will help ensure funding to:

- **Provide plan participants with post-retirement benefits**
- **Maintain or reduce the City's contribution to the System**

**PERFORMANCE (Net of Fees) VS. POLICY** – as of December 31, 2017

	1 Year	3 Years	5 Years	10 Years
LACERS Total Fund	17.37	8.07	9.65	5.82
Policy Benchmark	17.41	8.21	9.39	6.02

### INVESTMENT MANAGER/CONSULTANT

**SEARCHES Request for Proposals (RFP):** ✓ =

active; **p** = pending

- **Consultants & Support**
  - ✓ Private Equity Consultant
- **Investment Managers**
  - p** Small Cap Equities (Core, Growth, Value)
  - p** Small Cap Emerging Managers Fund of Funds Equities
  - p** Fixed Income Core
  - p** High Yield Bonds
  - p** Global TIPS

- Other searches pending completion of Asset Allocation study

## 2017 RESULTS

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### EDUCATION

#### BOARD/INVESTMENT COMMITTEE

- **Private Equity 101** – September 2017
- **Fixed Income Asset Class Overview** – October 2017
- **Emerging Investment Manager Program** – November 2017
- **Emerging Market Debt** – February 2018
- **Private Debt** – February 2018
- **Global Asset Allocation** – February 2018
- **Cash Management Overview** – Spring 2018

#### STAFF

- Quarterly Symposium; Conferences; Training Courses

### EMERGING INVESTMENT MANAGER HIGHLIGHTS

- Committed **\$70 million** to four private equity Emerging Managers
- LACERS staff conducted **24** meetings with Emerging Managers (July 2017 to Feb 2018)
- Review of **Emerging Investment Manager Policy** (2015-2017/Pending 2018)
- Attendance at the **New American Alliance Roundtable** – September 2017
- Attendance at the **Grosvenor Emerging Manager Conference** – September 2017
- Attendance at the **AAAIM Conference** – September 2017
- Attendance at the **NAIC Emerging Manager Conference** – October 2017
- Attendance at the **Los Angeles Clean Tech Incubator Conference** – October 2017
- Attendance at the **Texas Teachers Retirement/Texas ERS Emerging Manager Conference** –  
January 2018
- Attendance at the **Sponsors for Educational Opportunity (SEO) Conference** – Feb 2018

- Attendance at the **NASP Private Equity Conference** – March 2018

## ACTIVITIES

- **162** Manager meetings taken at LACERS' offices
- **17** Manager meetings taken off-site
- **8** On-site due diligence meetings
- **16** conferences attended

## CONTINUING/NEW INITIATIVES FOR 2018:

### **INCREASE ALPHA GENERATION AND REDUCE COSTS**

- Explore new investment strategies
- Identify and capitalize on emerging market trends
- Seek alpha-generating managers with acceptable risk
- Source investment managers beyond standard practice
- Apply rigorous manager selection process
- Negotiate low fees / survey manager fees
- Control investment implementation and monitoring expenses
- Review and improve Risk Management Practices

### **RISK MANAGEMENT PROGRAM**

- Work with Consultants to develop risk management solutions
- Investment Manager Monitoring Policy
- Manager Search and Selection Policy
- Investment Risk Management Policy
- Geopolitical Risk Investment Policy
- Operational Standard Procedures / Best Industry Practices
- Manager Quarterly Calls / On-Site Due Diligence
- Bloomberg Analytics / Manager Portfolio Attribution

### **Strengthen sourcing and monitoring of investment managers**

### **Fee Reductions and Enhanced Services**

### **RFP/RFI Notification Service – 365 entries**

### **LACERS Staff Brown Bag Lunch Investment Program**

 **College Internship Program – 7 “graduates” since 2014**

 **BOARD/INVESTMENT COMMITTEE**

EDUCATIONAL TOPICS

- Alpha-Generating Opportunities
- Risk Mitigation Approaches and Strategies
- Global Economy and Thought-Leadership Speakers

 **STAFF**

- Explore alpha-generating strategies
- Assess risk management tools and systems
- Develop and strengthen relationships with strategic private market managers (sourcing, due diligence, annual meetings)