



Agenda Item 6a

May 18, 2015

ITEM NAME: Investment Office Roadmap Update

PROGRAM: Total Fund

ITEM TYPE: Business Plan/Roadmap - Information

EXECUTIVE SUMMARY

This agenda item provides an update on the Investment Office (INVO) strategic planning efforts, including progress on the INVO Roadmap and the Target Operating Model (TOM), key components of the CalPERS overall Business Plan.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan goal to improve long-term pension and health benefit sustainability. Specifically, the INVO Roadmap supports delivering target risk-adjusted investment returns by implementing programs and initiatives that improve investment performance and ensure effective systems, operations and controls.

BACKGROUND

Since 2010, INVO has created a rolling two-year INVO Roadmap to communicate strategic objectives and initiatives supporting key priorities and the CalPERS mission. The Roadmap supports, and is in alignment with, the five-year CalPERS Enterprise Plan and the two-year CalPERS Business Plan.

Integrated into the INVO Roadmap, the TOM defines the People, Process, Technology and Data needed to effectively manage the CalPERS investment portfolio. Through periodic Risk Assessment and comparison to industry benchmarks each TOM function is evaluated to determine the current level of operational risk. The level of operational risk then becomes a critical input into the development of INVO Roadmap initiatives.

ANALYSIS

Since the development of the INVO 2014-16 Roadmap, INVO staff has made significant progress on driving the completion of 51 initiatives identified in support of eight Roadmap Strategic Objectives. Current Fiscal year accomplishments and a status update on the TOM Risk Assessment and Refresh are highlighted in Attachment 1.

In 2014, INVO's transition in senior leadership provided an opportunity to assess INVO's strategic priorities. Over the last six months, INVO senior leadership has spent considerable time discussing today's investing environment, the risk and

complexity level of the portfolios, and the operating environment within the Investment Office.

This strategic planning effort, called the INVO “2020 Vision”, is intended to set the high-level path forward for operational efficiency, effective resource management, and improved trust-level investment decision-making. Foundational to the INVO 2020 Vision was the creation of new INVO Mission and Vision statements communicated to the Investment Committee in December, 2014. These statements articulate INVO’s mission of managing the CalPERS investment portfolio in a cost effective, transparent, and risk-aware manner in order to generate returns to pay benefits.

With the INVO 2020 Vision in mind, staff has proposed an initial INVO 2015-17 Roadmap, focusing on building repeatable, predictable, and scalable portfolios and investing practices. Five Strategic Objectives, with a particular focus on performance, risk and cost as key measures, were developed:

- Capital Allocation
- Business Effectiveness
- Investment Beliefs and ESG
- Investment Platform and Controls
- Investment Risk Management

By the end of June 2015, staff will finalize the INVO 2015-17 Roadmap initiatives that support the newly defined strategic objectives, and report progress towards these efforts on a semi-annual basis to the Investment Committee.

BENEFITS/ RISKS

Not Applicable

BUDGET AND FISCAL IMPACTS

Not Applicable

ATTACHMENTS

Attachment 1 – Investment Office Roadmap Presentation

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THEODORE ELIOPOULOS
Chief Investment Officer