



Agenda Item 8a

December 14, 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 Investment Operating Model (IOM), which are key components of the CalPERS overall Business Plan.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan Goal A: 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

Over the last year, the INVO executive staff developed the INVO 2020 Vision, a 5-Year strategic planning effort 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 is the CalPERS Strategic plan and the Pension and Investment Beliefs. These critical components shaped the new INVO Mission and Vision statements first communicated to the INVO staff and 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 developed the INVO 2015-17 Roadmap (Roadmap) and 36 underlying initiatives focused 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

Integrated into the Roadmap is the Investment Operating Model (IOM), formerly known as the Target Operating Model (TOM), which 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 IOM function is evaluated to determine the current level of operational risk. The level of operational risk informs the development of Roadmap initiatives and resources.

ANALYSIS

Since July 2015, INVO staff have built Roadmap initiative project teams; developed scope, timeline and milestones for the active initiatives; and have started to produce project deliverables. Additionally, increased monitoring and reporting of the active Roadmap initiatives is now provided through monthly reports on status, risks, and project issues to the INVO Management Committee, Executive Sponsors and Project Leads.

INVO's Operating Committee maintains the primary responsibility for oversight and maintenance of the IOM and the Roadmap. To help fulfill this responsibility, the Operating Committee sponsored a new INVO Strategic Planning Subcommittee. The Strategic Planning Subcommittee was created to provide regular review of the Roadmap initiatives and to inform the INVO Risk Assessment Process including:

- Review of Operating events, associated risks and mitigation efforts
- Periodic status updates to the Operating Committee
- Annual formal risk review conducted by INVO's Investment Compliance and Operational Risk team

Current 2015-17 Roadmap accomplishments and related IOM Functions and Risk ratings are highlighted in Attachment 1.

BUDGET AND FISCAL IMPACTS

Funding for Roadmap activities is included in the approved and existing Investment Office budget.

BENEFITS/RISKS

The progress and completion of the 2015-17 Roadmap initiatives are an integral part of managing INVO's operational risks. As initiatives are completed, critical operational risks are expected to decrease in severity.

ATTACHMENTS

Attachment 1 – Investment Office Roadmap Presentation

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