

December 23, 2025

TO: Trustees – Board of Investments

FROM: Jonathan Grabel 
Chief Investment Officer

FOR: January 14, 2026 Board of Investments Meeting

SUBJECT: **2026 Strategic Framework and Initiatives:
Towards Best-in-Class Investor**

RECOMMENDATIONS

Approve the 2026 Strategic Framework and Initiatives, and

- Initiate planning for a Strategic Framework refresh
- Collaborate with Meketa to review governance practices

BACKGROUND

Attached (**Attachment 1**) is the 2026 Strategic Framework and Initiatives recommendation for approval by the Board of Investments. It reviews strategic initiatives, progress towards objectives, and aspirations. The presentation also outlines a proposed year-long plan to evaluate governance practices, in collaboration with Meketa, and refresh the strategic framework initiatives.

Also attached (**Attachment 2**) is a concurrence memo from LACERA's general consultant, Meketa.

Attachments

2026 Strategic Framework and Initiatives: Towards Best-In-Class Investor

Board of Investments Meeting
January 14, 2026



Recommendation

Approve the 2026 Strategic Framework and Initiatives, and

- Initiate planning for a Strategic Framework refresh
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Overview

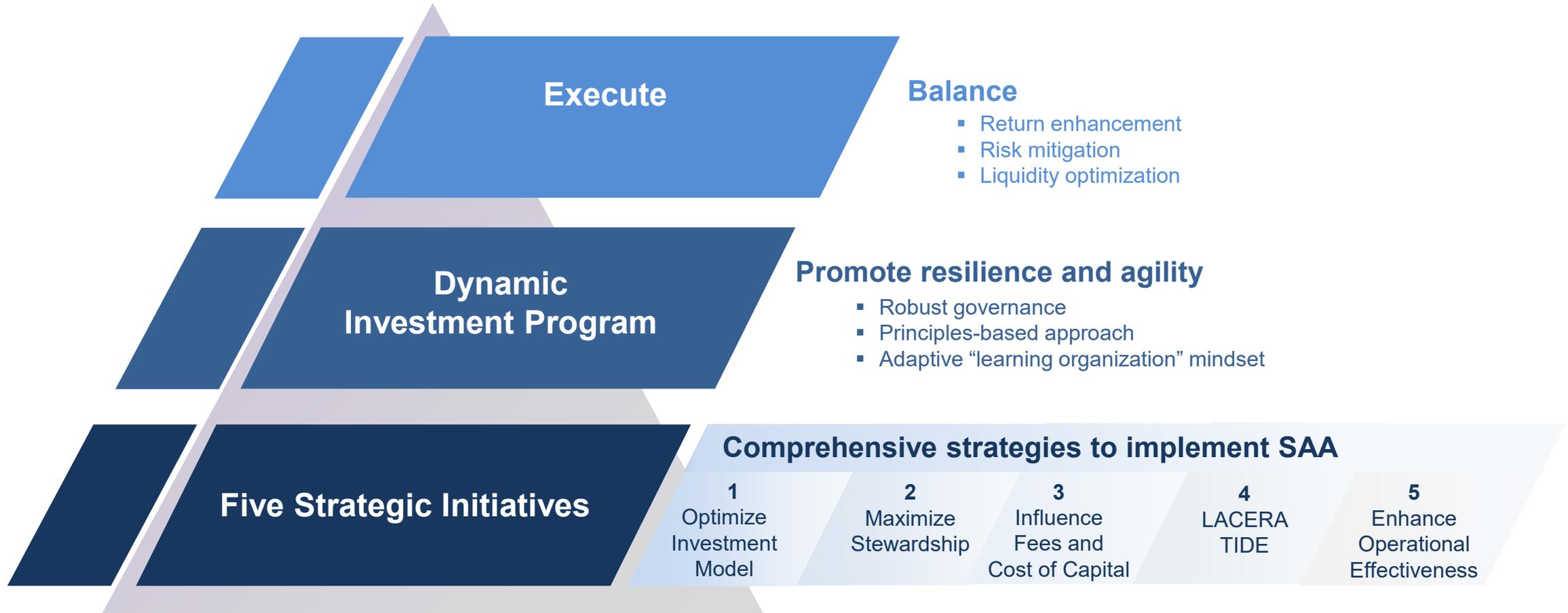
The 2026 Strategic Framework and Initiatives aim to:

1. Fulfill LACERA's mission to members by guiding implementation of the strategic asset allocation
2. Provide visibility into initiatives to facilitate oversight and governance
3. Build upon strong foundation to facilitate future success

Strategic Framework: Towards Best-In-Class Investor¹



LACERA Mission: To produce, protect and provide the promised benefits to our members



¹Framework initially approved by the Board of Investments in 2020; subsequently modified and reapproved in 2021 and 2024.

Board of Investments Governance



“In order to exercise its fiduciary duties, the Board has the responsibility to stay informed and affirmatively conduct oversight of LACERA’s investment program [for the Fund and OPEB Trust], including receiving, reviewing, and engaging on investment performance and compliance information and reports”

Policy and Strategy

- IPS - Investment Policy Statement
- SAA - Strategic Asset Allocation
- Structure reviews and investment guidelines
- Strategic Framework and Initiatives
- Actuarial study and funding policy
- Consultants, actuaries, fiduciary counsel

Oversight

- Portfolio implementation
- Performance, risk, and compliance
- Proxy voting and stewardship
- Initiative updates (e.g., LACERA TIDE)
- Portfolio information (e.g., manager scorecard, fee analysis)
- CIO performance evaluation

Periodic Updates

- CIO monthly reports
- Notification of new investments and redemptions
- RFP updates and memorandums
- Material portfolio or market events
- Educational speakers

The above lists are not exhaustive. The IPS provides a more comprehensive description of roles and responsibilities.

1. Optimize Investment Model



Objective

Utilize forward thinking, enduring investment models and structures with a focus on technology, cost effectiveness, and human capital to maximize risk-adjusted returns



Progress

- Increased portfolio intentionality through secondary purchase and sale opportunities in private equity, real assets, and real estate while securing attractive pricing
- Significant transition of real estate assets from separate accounts to commingled funds to improve risk adjusted returns, diversification, and scalability
- Improved portfolio efficiency by raising OPEB Trust commitment sizes to enhance scalability
- Expanded implementation of dedicated managed accounts to another asset category (hedge funds)
- Deepened institutional knowledge by exploring novel investment approaches, including renegotiating IPO rights, and conducting rigorous post-investment reviews to guide investment decisions



Aspirations

- Advance adoption of innovative investment models and structures to strengthen long-term portfolio resilience and risk-adjusted returns
- Optimize rebalancing strategies across portfolio to strengthen returns and strategic impact, including private markets
- Continue to assess internal and external management approaches for optimal effectiveness

2. Maximize Stewardship and Ownership Rights



Objective

Steward our investments – including legal rights associated with them – to promote and safeguard our economic interests and durable financial value, including through proxy voting, engagement, and policy advocacy



Progress

- Voted proxies at over 6,000 global shareholder meetings, applying LACERA's custom corporate governance policy
- Supported initiatives to expand ESG data for investment analysis (e.g., joining ESG Data Convergence Initiative)
- Executed corporate engagement initiatives and policy advocacy
- Published LACERA Corporate Governance and Stewardship Report



Aspirations

- Onboard new analytics tools, including increasing private markets coverage
- Support investor associations to advocate prudent market policies (e.g., Council of Institutional Investors, International Corporate Governance Network)
- Amplify our strategic communications of LACERA stewardship efforts

3. Strengthen Influence on Fees and Cost of Capital



Objective

Leverage our influence on fees and cost of capital across all investment strategies and structures in a manner that aligns interests and promotes resilient investment returns



Progress

- Achieved better economics through strategic negotiations and structures (e.g., hard hurdle fees, tailored share classes, revenue sharing, co-investments, and selective negotiation pauses)
- Optimized implementation costs through account structure enhancements (e.g., expanding managed account platforms to new asset categories and overlays to OPEB)
- Proactively improved mandate terms and alignment (e.g., restructuring based on manager performance)
- Introduced new fee metrics to evaluate efficiency of total Fund cost and expenses



Aspirations

- Establish industry leadership as “term-makers” rather than “term-takers” on fees, legal provisions, and related terms
- Foster higher alignment of interest and improved incentivization structures with business partners
- Position liquidity as a strategic asset: harvest investments to build reserves and redeploy into high-conviction opportunities
- Expand ongoing evaluation of investor profit retention and fee efficiency measurements

4. LACERA Towards Inclusion, Diversity, and Equity



Objective

Enhance outcomes by encouraging constructive, inclusive, and equitable talent management at investment partners, service providers, industry, and internally



Progress

- Focused career development with 15 internal promotions in last 5 years (4 in 2025), active intern program, and new investment fellowship program with two inaugural hires
- 100% of investment mandates assessed with continued manager responsiveness and disclosure
- Established emerging manager programs in each asset class and increased target ranges
- Appointed to advisory boards, such as Girls Who Invest, ILPA Driving Inclusion in Alternatives, and CFA Institute
- Supported expansion of due diligence templates and tools to facilitate reporting in financial services industry



Aspirations

- Support and expand constructive and inclusive practices across investment industry
- Be an employer of choice at all levels from internships through management
- Use increased data and insights to inform and influence inclusive and equitable talent management with investment partners

5. Enhance Operational Effectiveness



Objective

Improve our resource efficiency (human, technological, internal, and external) while mitigating investment and enterprise risks to strengthen future outcomes



Progress

- Facilitated knowledge sharing through Trustee education sessions and staff town halls
- Aligned resources with Board and organizational priorities
- Revamped reporting, including CIO Monthly, Quarterly Performance and Annual TIDE reports
- Promoted diverse perspectives via internal investment committee rotations
- Standardized diligence frameworks to increase comprehensiveness of investment processes
- Expanded investment sourcing channels (e.g., newopportunities@lacera.gov, investment databases)



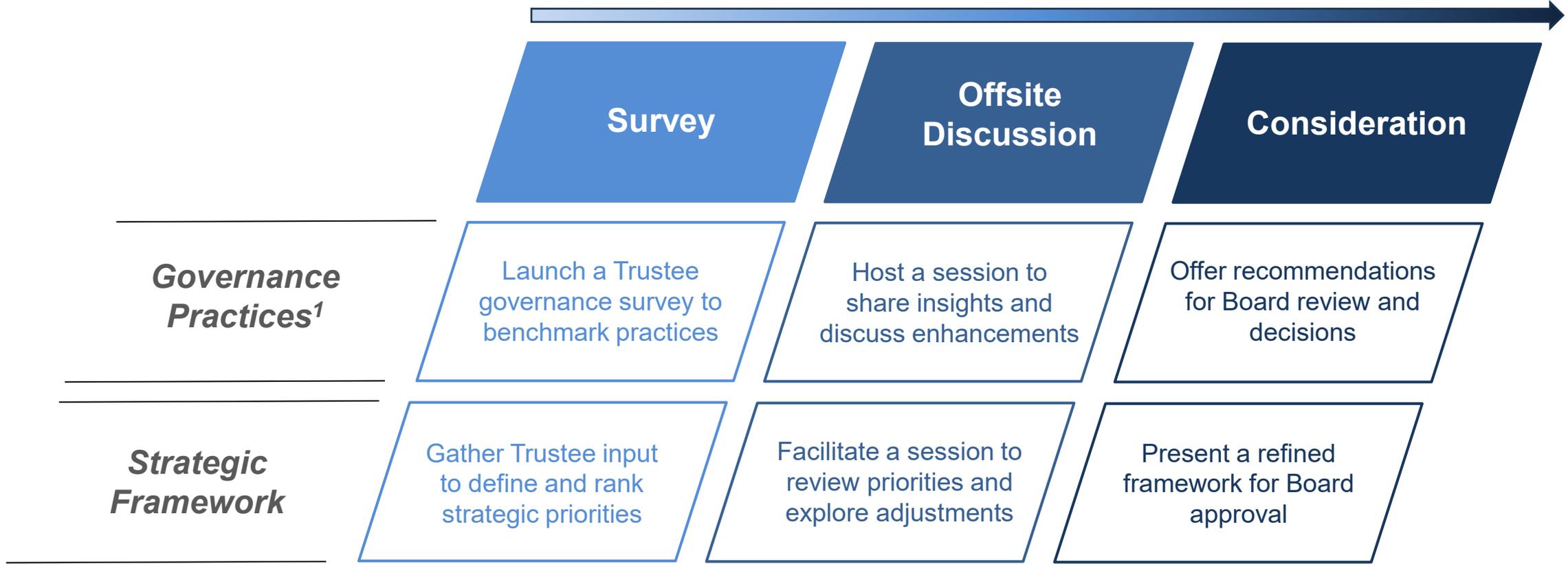
Aspirations

- Efficiently fill and onboard vacant positions
- Implement advanced technology, including artificial intelligence, to enhance total Fund management
- Identify opportunities to optimize investment onboarding process
- Advance data and analytics platforms to support portfolio oversight of performance and risk management

Next Steps



Outlined below is a proposed year-long plan to evaluate governance practices, in collaboration with Meketa, and refresh the strategic framework initiatives



¹Facilitated by Meketa.



Recommendation

Approve the 2026 Strategic Framework and Initiatives, and

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Context (If Approved)

The 2026 Strategic Framework and Initiatives aim to:

1. Fulfill LACERA's mission to members by guiding implementation of the strategic asset allocation
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MEMORANDUM

TO: LACERA Board of Investments
FROM: Tim Filla, Aysun Kilic, Alex Khorsandian, Imran Zahid, Meketa
CC: Jon Grabel, CIO - LACERA
DATE: January 14, 2026
RE: 2026 Strategic Framework and Initiatives

Background

The purpose of this memo is for Meketa Investment Group to formalize its support for Staff's recommendation to approve the 2026 Strategic Framework and initiatives and 1) Initiate planning for a Strategic Framework refresh, and 2) Collaborate with Meketa for the purpose of reviewing governance practices.

Evaluation of Recommendation

In 2020, the Board of Investments approved the "Towards Best-In-Class Investor" Strategic Framework. The framework was developed by staff in collaboration with the Board and Meketa. The 2026 Strategic Framework builds on LACERA's existing strong foundation and provides a clear roadmap to advance its mission to produce, protect, and provide the promised benefits to its members. The initiatives reinforce disciplined implementation of the Strategic Asset Allocation (SAA), strengthen governance, and enhance transparency for the Board's oversight responsibilities.

The proposed framework directly supports LACERA's long-term mission by guiding implementation of the SAA through a balanced approach. The five strategic initiatives—Optimize Investment Model, Maximize Stewardship, Strengthen Influence on Fees and Cost of Capital, LACERA TIDE, and Enhance Operational Effectiveness—collectively promote return enhancement, risk mitigation, and liquidity optimization.

Each initiative reflects meaningful progress to date, including improvements in portfolio construction, stewardship practices, fee negotiations, inclusion and diversity efforts, and operational efficiency. The forward-looking aspirations appropriately position LACERA to remain adaptive, resilient, and aligned with industry best practices.

The framework enhances visibility into investment initiatives, supports informed Board oversight, and strengthens governance practices. Collaborating with Meketa on governance benchmarking will further ensure LACERA continues to operate at a best-in-class standard.

In our view, initiating a year-long refresh process is a prudent exercise. It allows LACERA to incorporate evolving market conditions, regulatory developments, and industry innovations into its long-term strategic direction.

In conclusion, the 2026 Strategic Framework and Initiatives provide a reasonable, mission-aligned structure that supports effective implementation of the SAA, enhances governance, and positions LACERA for continued success.

If you have any questions or would like additional information, please email or call us at (760) 795-3450.

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