



June 1, 2021

**TO:** Each Trustee,  
Board of Retirement

**SUBJECT:** Board of Retirement Meeting on June 2, 2021 – Agenda Item VII.A.

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Attached please find the supporting documents regarding the above referenced item.



June 1, 2021

TO: Each Trustee,  
Board of Retirement

FROM: JJ Popowich *JP*  
Assistant Executive Officer

SUBJECT: **Request to Issue Request for Proposal (RFP) for a Strategic Planning Consultant**

**RECOMMENDATION:**

That the Board of Retirement consider and approve the proposed strategic planning, process and timeline and authorize staff to issue a Request for Proposal (RFP), evaluate the responses to the RFP, and select a Strategic Planning consultant to assist LACERA in developing and implementing a sustainable and ongoing Strategic Planning process.

**EXECUTIVE SUMMARY**

Strategic Plans are critical management tools to focus an organization's effort to obtain mutually agreed upon goals that further the mission of the organization while keeping the organization focused on delivering service in line with their vision for the future and in alignment with their values. Strategic Plans function as guideposts to help management create an organizational budget and allocate resources appropriately to meet the organizational goals. The budget for an organization is developed to support the plan.

Currently LACERA has four different Strategic Plans (Plans); a plan for the Administration of the system (retirement services), a plan for Retiree Healthcare, a plan for Investments and one for the Other Post-Employment Benefit (OPEB) programs. There is no consistent overall strategic plan for the organization today. The lack of an overall strategic plan that takes into consideration these respective Plans, creates ambiguity and confusion in terms of priorities and the use of limited resources available to carry out the Plans. In addition, while some Plans have been updated regularly and may include some form of formal process, others have not been formally updated and discussed since they were approved in 2017.

The Boards of Retirement and Investment created the Joint Organizational Governance

**Commented [JP1]: STEVE'S COMMENT:**

In the Recommendation (first and last page), it is addressed to the Board, but it does not say which Board and the memo is addressed to the JOGC. The JOGC only makes recommendations. The header on each page reference the BOR instead of the JOGC. If the memo does go to the BOR, there should be some explanation added to the Executive Summary to explain why the JOGC is being skipped. Will the BOI have any role? On page 3, the trustees are stated to be critical and yet I do not see a role described for the BOI.

**Commented [JP2R1]:** I will/have added an explanation on why this is going to the BOR. Please let me know what you think of it.

Fixed header to show BOR correctly.

We need to discuss BOI role. The BOI essentially has their own SP. I did reference that as well as respecting the decisions of each Board. I could use some help on how to incorporate them.

**Commented [JP3]: STEVE'S COMMENT:**

•Do you want to include a dollar limit or a reference to the CEO's authority under the Procurement Policy?

**Commented [JP4]: STEVE'S COMMENT:**

•In the first line of the Executive Summary, organizations should have an apostrophe.

**Commented [JP5R4]:** Fixed thank you.

**Commented [JP6]:** •In the first sentence of the second paragraph of the Summary, I suggest replacing the period with a colon because what follows is a list of the plans and is not itself a sentence. Also, do you want to attach the plans.

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Committee (JOGC) to facilitate communications between the Boards in areas where they have joint responsibility. The JOGC Charter (Charter) delegates the responsibility for oversight of the strategic planning process and the budget process to the Committee. The Charter calls for the development of a three-year strategic plan and outlines the Committee's role to provide oversight and guidance in the development of the plan. The Charter also specifies that the Plans must consider the actions of the Boards of Retirement and Investment in terms of their areas of statutory responsibility. This proposal is submitted in the context of the Board of Retirement's area of responsibility over administration of the system. Additionally, the Charter recognizes that the Plans are developed with a three-year horizon and that they must be both flexible (meaning they can change as situations change), but also respectful and considerate of the time, effort, and resources devoted to objectives already undertaken.

Finally, the Charter calls on staff to present a plan for strategic planning and the annual budget process for approval by the Committee, who in turn must make a recommendation to the Boards to adopt the process. Once approved by the Committee, this plan must be reviewed every six years. It is necessary for the Strategic Plan and annual budget process to be presented as one formal plan because the two are inextricably linked together. The Strategic Plan provides clear direction needed for staff to develop the annual budget that allocates resources to support the plan.

With this in mind, the LACERA Executive Team developed a Strategic Planning and Budget Framework for consideration by the Committee and presented the plan as part of the proposed budget for FY 2021-22.

During the Committee meeting, the Chair recommended that the CEO's proposal to select and retain a consultant be referred to the Board of Retirement. This referral is consistent with the authorities of the respective Boards as the issuance of an RFP and the selection of a vendor, and the analysis of administrative strategic priorities and plans, is within the administrative jurisdiction of the Board of Retirement and within the responsibilities of the Chief Executive Officer (CEO).

The proposal outlined in this memo also includes the plan for the CEO to issue a Request for Proposal to select and retain a Strategic Planning consultant to help LACERA create a sustainable plan that meets the organization's needs. We respectfully request the Committee's support for this plan.

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## BACKGROUND

A Strategic Plan provides a means for an organization to create a clear roadmap to accomplish critical goals in alignment with its Mission, Vision, and Values. The plan sets goals that are aspirational, but obtainable and measurable. It provides the organization a way to effect meaningful change in a controlled and measurable manner. A Strategic Plan provides the organization with objectives that can be used to measure progress towards the aspirational goals. The Strategic Plan sets the tone and provides guidance for the development of budgets and decision making.

Strategic Planning is often lead by an Executive Team, but it is not solely the product of the Executive Team. In fact, a good Strategic Plan is developed with the entire organization in mind, because the plan cannot be executed without the buy-in and commitment of the entire organization. Organizations are groups of systems within systems, each working together as a whole to produce the desired outcome. The Strategic Planning process must take this into account and ensure that each system – each sub-part – of the organization is considered as goals and objectives are set.

Trustees are a critical part of the strategic planning process. Trustees provide critical oversight and guidance to the organization. As the plan is developed and approved, there must be alignment between the Trustees, the management team, and key stakeholders within the organization in terms of the strengths, weaknesses, opportunities, and threats the organization faces. There also needs to be alignment in priorities.

The strategic planning process is as critical as the final adopted strategic plan. Each Board has its own area of responsibility: the Board of Retirement provides oversight to the Administrative and Retiree Healthcare programs, while the Board of Investments has responsibility for investing the retirement funds and the OPEB trust funds. Additionally, the staff that manage these programs and conduct the day-to-day activities and deliver on the organization's Mission understand the needs of the organization and insight and ideas into how to carry out their part of the Mission. The process must bring together a variety of different data points, points of view, priorities, and ideas and distilling them into a formal plan. The LACERA Executive Team believes that a successful strategic planning effort will include a defined framework that approaches the planning process in a formal, inclusive, and flexible process. Therefore, we are proposing a specific development process outlined in the Strategic Planning & Budgeting Framework first introduced with the proposed 2021-2022 Budget Proposal in May.

Commented [JP7]: STEVE'S COMMENT:

In the Background, do you want to add a reference to the role and involvement/participation of other staff when you talk about the need for organizational buy-in?

Commented [JP8]: STEVE'S COMMENT:

•Mission and Vision are capitalized some places, but not others. Values should be included if you want to make the capitalization consistent.

Commented [JP9R8]: Thank you, you are correct. I tend to look at these as named things that should be capitalized. So, I have capitalized them throughout the document.

Commented [JP10]: •In the Background, do you want to add a reference to the role and involvement/participation of other staff when you talk about the need for organizational buy-in?

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### **Strategic Planning Development Process**

Our approach to developing the framework of the LACERA Strategic Plan begins with a traditional planning process involving all levels of the organization including the Trustees and key stakeholders. The purpose of the planning sessions is to clarify LACERA's purpose, define its culture, confirm the Vision, and identify priorities. This Mission statement is our mandate, but we feel a robust discussion about what it means to the organization and team on an annual basis will help refresh and refocus our purpose. Our Vision and our core Values should remain constant but can change from time to time. Defining our strengths, weaknesses, opportunities, and threats and prioritizing them in relation to our Mission and Vision is the first critical step to strategic planning.

As we define the aspirational goals and the objectives, we will undertake to reach those goals we will also be working to develop two critical components necessary to ensure we can reach the objectives we set. Participants in the process which have organizational authority to carry out the plan objectives will be discussing and proposal project plans for each objective. These plans are critical to understanding what resources need to be allocated to each project. Understanding resource allocation is critical to choosing objectives that are realistically obtainable. They are also critical for budgeting purposes.

Secondly, the planning will include an important point of discussion and agreement on how we will measure and monitor our results. As we develop aspirational goals, and the objectives we will undertake to reach those goals we need to agree on key performance indicators (KPI) that will be used to gauge how well we are doing as we work towards our goals.

As mentioned previously, alignment with Trustee's expectations and insight is a critical step in this process, our plan integrates LACERA's JOGC in the plan development and ultimately for approval of the process from the Boards. This ensures that all efforts are directed towards a uniform Vision and commitment to achieving our objectives.

We are proposing the following process and time frame:

#### **1. Review and/or refine LACERA's Mission and Vision statement:**

- This process is conducted annually as a reaffirmation of the approved statements.

- From time to time, the team may make recommendations to adjust the vision to keep it relevant to the evolving ecosystems, legislative changes, and member demands.

**2. Confirm that LACERA's Mission and Vision statements link to LACERA's core Values.**

- Core Values are the guiding principles in which we frame our decisions. They conduct how we act internally and externally. As such, they must be reviewed annually to focus on our purpose.
- From time to time, the team makes recommendations regarding the adjustment of our values.

**3. Perform or review the SWOT analysis/ review LACERA's Risk Assessment**

- Strategic Plans are meant to change and move organizations forward in a positive manner.
- As our environment changes, our strengths, weaknesses, opportunities, and threats can change too. An annual review of these will keep our strategic initiatives and objectives timely and relevant to our Mission, our member, and plan sponsor needs.
- A healthy review of LACERA's risk assessment can help point us to critical areas of the organization that need to be addressed and may help in defining our priorities.

**4. Draft LACERA's Strategic Initiatives and Objectives.**

- Our plan calls for the strategic planning teams to identify and draft our strategic initiatives and define relative objectives.
- A strategic planning consultant, working together the Executive Team (CEO, CIO, Chief Counsel, and the AEO's) will develop teams that will draft the proposed strategic initiatives. These teams will consist of a management team sponsor and subject matter experts from across the organization with knowledge of the area they are asked to participate. For example, if an initiative is to focus on improving the member experience the team may consist of the Member Services Division manager, Retirement Benefit Specialists from Member Services, Benefits, and Retiree Healthcare, as well as representatives from Disability Retirement Services, Systems, and the Legal Office.

**Commented [JP11]:** STEVE'S COMMENT:

•It sounds like the LACERA strategic plan will be quite detailed and comprehensive, as opposed to the three or four broad items that you see in other systems' plans. Is this the direction we are heading? There may be multiple types, definitions, and purposes of strategic plans. It might be helpful to acknowledge that spectrum and state where LACERA intends to be with its plan.

**Commented [JP12R11]:** The intent is not to have many strategic initiatives. The team will have to identify those before we create objectives. I did not define the number and not sure I should. I think that's really for the consultant to help us do as they share the best practices.

**Commented [JP13]:** •The memo refers to a strategic planning team. Who is on that team?

**Commented [JP14R13]:** The original plan outline called for teams and the intent was to draw those teams from throughout LACERA to review the key components, then develop initiatives for consideration and then objectives. I've tried to beef that up and explain how we have we would select those teams with the consultants help.

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- The definition of a strategic initiative is generally expected to be done once and remain relatively fixed unless major changes in our ecosystem occur.
- The initial definition of the objectives, which may change annually, will include discussions on the priority and achievability of the recommended objectives. The team will not be developing project plans at this point until we align the initial strategic initiatives and the objectives with boards.
- Each objective will be defined with a business case for why the objective is needed, the expected outcome or cost-benefit of the objective, and the relation of the objective to the proposed strategic initiative, the Vision, and the Values. The resulting recommendation will provide a clear understanding of why the team feels it is relevant and serve as a basis for the Trustee's review.

**5. Seek board alignment and approval of the strategic initiatives and objectives.**

- Our proposal calls for a half to full day "offsite" with the Trustees from both Boards to discuss alignment with the organization's Vision, core Values, the proposed/adopted strategic initiatives, and the objectives.
- We feel this alignment session should include a robust discussion on the SWOT and/or risk assessment analysis. It is critical the Trustees agree with the organization's assessment. Including the all the Trustees in this process helps ensure that the strategic planning team develops a proposed Strategic Plan for the JOGC consideration that address the challenges and opportunities we all agree on. This in turn will help the JOGC recommend a plan for the Board's approval that has the best chance of acceptance and success.

**6. Draft SMART key measurements, project plans, budgets, and the overall strategic plan.**

- Following the board alignment, offsite the management team will reconvene and form workgroups who will be assigned responsibility for developing and initiating the objective. As with the development of the strategic initiatives, each workgroup will be cross-functional team and include members of the divisions that are necessary for the successful completion of the objective.
- The workgroups will elect a project lead who will be responsible for compiling a project plan, budget, and serve as the team's communicator for reporting progress. The project lead will also be responsible for making sure

Commented [JP15]: STEVE'S COMMENTS:

- In paragraph 5 on page 5, will the offsite be for both Boards?

Commented [JP16R15]: Clarified it is both Boards and why its necessary to assist the JOGC in its duty to propose an organizational strategic plan.

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the team stays on target and for escalating issues that may impede the successful completion of the objective.

**7. Seek JOGC input on the draft strategic plan and budget.**

- Each simple project plan will include a definition of the budget needed to carry out that plan. Even if the plan relies on existing resources, it should define how those resources are used and should clearly indicate there is no expected impact on the organizational budget.
- Each simple project plan that requires additional budgetary resources will clearly state what those resources are. This will allow the team to have a discussion with the JOGC and set the case justification for the addition of the resources in the organizational budget.

**8. Fold Strategic Plan costs into the budget and clearly define those costs for transparency.**

- The strategic planning process feeds the budget process. We recognize that there are organizational maintenance costs that are ongoing. Costs related to strategic plans may be one-time costs or may be added on-going costs. These will be clearly defined in the narrative of the budget proposal request.

This process is represented in the following aggressive time frame. The time frame is really driven by LACERA's annual budget process which is defined by a statutory deadline to produce a budget prior to July 1<sup>st</sup> of each fiscal year. We have provided an outline of what this trim frame below:

1. Select a Strategic Planning Consultant
1. Strategic Plan Overview (Education) (Components) - Mission/Vision/Values/Strategic Initiatives/Objectives/Key Measurement
2. Review (adjust) Mission/Vision/Values
3. SWOT/Risk Assessment (Review or Create)  (Assessment of where we are and where we want to go)



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<ol style="list-style-type: none"><li>4. Development of Strategic Initiatives</li><li>5. Development of Strategic Objectives</li></ol>
<ol style="list-style-type: none"><li>1. Strategic Plan Overview</li><li>2. Results of SWOT</li><li>3. Presentation of Draft Strategic Initiatives</li><li>4. Presentation of Draft Strategic Objectives</li><li>5. Solicit feedback/Confirm Agreement and alignment</li></ol>
<ol style="list-style-type: none"><li>1. Discuss JOGC approval of Strategic Initiatives &amp; Objectives</li><li>2. Form work groups based on Objectives.</li><li>3. Overview-How to develop Key Measurements/Project Plan/Projects</li><li>4. Establish due dates</li></ol>
<ol style="list-style-type: none"><li>1. Team meetings to develop.<ul style="list-style-type: none"><li>• Key Measurements</li><li>• Project Plan</li><li>• Budgets</li></ul></li><li>2. Management meeting to review Key Measurements/Project Plans/Budgets</li><li>3. Draft Strategic Plan</li></ol>
<ol style="list-style-type: none"><li>1. JOGC Meeting – Presentation of Draft Strategic Plan</li><li>2. Adjustment/Corrections to Strategic Plan</li></ol>

### **Strategic Planning Consultant**

We recommend LACERA select a strategic planning consultant to assist with the development of our strategic planning process and the first strategic plan. The assistance of a third-party would help ensure the final strategic planning process incorporates best practices in strategic planning. A consultant can also help LACERA educate the management team on strategic planning. It is likely that most LACERA managers have not been exposed to a formal strategic planning process.

Additionally, we believe having a consultant to act as a facilitator will help avoid the planning team being influenced by the Executive leadership team. We want the planning team to be honest and innovative; they should be able to freely share their ideas without

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the unconscious bias of “wanting to please the CEO or Executive team”. The process should ensure that we hear what we need to hear, not what the planning team thinks the Executive Team wants to hear. Finally, a consultant will help keep the planning process on track, especially with the tight time frame required to develop the budget and seek approval by the statutory deadline.

The Executive Office has not completed defining the statement of work expected for the consultant. However, the initial draft of expected work product includes:

1. Interview the Executive Team, Trustees, and Management team to ascertain their understanding of strategic planning and their expectations.
2. Develop a written plan that includes a road map for LACERA to follow to develop, implement, and continually sustain a strategic planning process.
3. The plan should include a process for reviewing LACERA's Mission, Vision, and Values in order to ensure they meet the organization's needs. This would include making recommendations for improving any of the three for consideration by the Trustees and Executive Management.
4. The plan must include an education plan tailored for various levels throughout the organization to understand the need for a strategic plan, the elements of the plan, the structure of the plan, the methodology for developing the plan, and for measuring its progress and success.
5. The plan must include a methodology for including the views of all relevant stakeholders including Trustees, Executive Management, management, and line level staff, and may also include member and other stakeholder feedback.
6. The plan must include specific recommendation for a planning process based on LACERA's needs and time frames to deliver a plan and a budget to meet milestones needed to ensure the plan is developed and implemented within the timeframes we need to develop a budget.
7. The plan must allow for initiatives that are aspirational in nature, create stretch, but achievable initiatives and objectives that further the organization Mission, Values, and Vision for the future.
8. The plan must include specific milestones needed to meet those timeframes and to successfully implement the plan.
9. The plan must also include recommendations for setting smart and achievable objectives in support of the initiatives, including recommending key performance indicators and measurements to determine the level of success of each objective.
10. The proposed plan and outline for the strategic plan must be based on best practices from both government and the private sector.

**Commented [JP17]:** STEVE'S COMMENT:

•The section on the consultant on pages 6-7 could be expanded to include minimum qualifications. What type of firm are you looking for? What expertise do you want them to have? What is the SOW?

**Commented [JP18R17]:** We had not go that far yet. Had we had more time I would have developed the whole RFP. In any event, here is a first draft of the SOW or expectations.

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11. The consultant will be required to make presentations to the Executive, Management team and the Trustees through the JOGC and respective Board meetings as they work to gain support and buy-in for the proposed plan.
12. The consultant will be tasked with overseeing the development of the plan including facilitating meetings, focus groups, and discussions to develop the plan.
13. The consultant will be required to provide written material outlining the plan and regular update reports on the planning and implementation process to the Executive Office and the JOGC.
14. The consultant will be responsible for creating a scorecard based on the agreed upon Key Performance Indicators and measurements established as part of the plan and presenting that over the three-year life cycle of the first strategic plan.

The Executive Team will continue to modify this statement of work prior to releasing the RFP. The consultant will be selected by the CEO and his designated team after a review of the submitted proposals. The team will evaluate the proposals based on their plan for meeting requirements outlined above. We also evaluate the applicants based on experience with providing consulting to government organizations on strategic planning and implementation, references from past clients, and the diversity and inclusion of their organization.

## **CONCLUSION**

A Strategic Plan is a critical document that provides an organization with a roadmap to achieve aspirational goals that fulfill its mission and are in alignment with its vision for the future and its values. A solid Strategic Plan is developed as an organization understanding that an organization is a system wherein all parts function together to deliver desired outcomes.

LACERA has not had a formal, documented, strategic planning process in place for the entire organization. The organization currently has four Strategic Plans that are not developed in alignment with each other. In some cases, these plans are reviewed on an annual basis and in others have not been updated and approved by the Trustees since 2017. The Joint Organizational Governance Committee Charter requires staff to present a Strategic Planning and Budgeting process that incorporates guidance from the JOGC but is respective of each Boards areas of statutory responsibility, for approval by the Committee. Once approved the process remains in effect and must be reviewed every six years.

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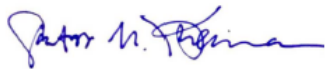
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The Executive Management team has presented a proposed framework for the Strategic Planning and Budgeting process. The process is comprehensive and is designed to ensure that the organization is in alignment with its view of its Mission, its values, and the Vision for the future. The process is inclusive and involves the Committee as required but looks to involve the entire organization in some form to ensure that all aspects of the organization's needs are considered and there is a free flow of ideas and perspectives.

Finally, the plan includes the selection of a Strategic Planning Consultant to ensure that we develop a plan that is developed with best practice and current thought on plans and the planning process. A consultant will help LACERA remain inclusive throughout the process and focused on meeting critical deadlines to produce both a plan and a budget within statutory requirements.

**THEREFORE, WE RECOMMEND** that the Board of Retirement consider and approve the proposed strategic planning process and timeline and authorize staff to issue a Request for Proposal (RFP), evaluate the responses to the RFP, and select a Strategic Planning consultant to assist LACERA in developing and implementing a sustainable and ongoing Strategic Planning process.

REVIEWED AND APPROVED



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Santos H. Kreimann  
Chief Executive Officer