

December 2, 2022

TO: Each Trustee
Board of Investments

FROM: Jonathan Grabel 
Chief Investment Officer

FOR: December 14, 2022, Board of Investments Meeting

SUBJECT: **ANNUAL UPDATE AND REVIEW OF LACERA TOWARDS INCLUSION,
DIVERSITY, AND EQUITY (LACERA T.I.D.E.)**

The attached presentation (**Attachment 1**) summarizes recent activities, progress, and anticipated next steps of LACERA's T.I.D.E. initiative for Trustee review and discussion at the December 14, 2022, Board of Investments meeting.

Attachment

Annual Review and Update of LACERA Towards Inclusion Diversity and Equity (T.I.D.E.)

Board of Investments

December 14, 2022

Investment Division



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Discussion Outline

1. LACERA T.I.D.E. Background and Objectives of Review
2. Review of Progress in Each Pillar
 - Internal Practices
 - Due Diligence
 - Active Ownership
 - Capital Formation
 - Industry Advocacy
3. Observations

About LACERA T.I.D.E. and Today's Objectives



LACERA believes organizations comprised of diverse backgrounds and managed in an inclusive and equitable manner perform better, as compelled by our fiduciary duty and articulated in our [Investment Policy Statement](#)

LACERA consolidated various longstanding DEI initiatives under “LACERA T.I.D.E.” in 2020, as ratified by the Board in March 2021

LACERA T.I.D.E. incorporates short- and long-term objectives across activities organized under 5 pillars and is an integral component of the Investment Division Strategic Work Plan

Annual review of progress against stated goals

Iterative, total team process of continuous improvement

Objectives for today's review include:

- ✓ **Assess progress against stated goals**
- ✓ **Share observations**
- ✓ **Identify opportunities to enhance effectiveness**

Recap of LACERA T.I.D.E.'s Five Pillars

Comprehensive, synergistic strategies to implement Board-approved policies and principles to advance diversity, equity, and inclusion (DEI) in LACERA's investment program and the financial services industry

Internal Practices

Strategies to foster an inclusive, diverse, and equitable workplace in LACERA's Investments Division

Due Diligence

Strategies to evaluate, influence, and monitor current and prospective investment partners

Active Ownership

Strategies to encourage sound DEI practices at portfolio companies by voting proxies and governance engagements

Capital Formation

Strategies to facilitate capital formation among firms with diverse ownership, such as emerging managers

Industry Advocacy

Strategies to improve LACERA's opportunity set by advancing DEI best practices across the financial services industry

Multi-pronged initiative to advance mission in adherence to fiduciary duty

Pillars range in LACERA's degree of direct influence, from left to right



Review of Progress Across Five Pillars



Pillar 1: Internal Practices



Internal
Practices



Due
Diligence



Active
Ownership



Capital
Formation



Industry
Advocacy

Internal Practices

Strategies to foster an inclusive, diverse, and equitable workplace in LACERA's Investments Division

Next Steps

- Enhance team engagement in internal investment committees
- Advance effective approaches for inclusive workplace practices in both virtual and back-to-office environments
- Expand synergies in Investment Division DEI initiatives and agency-wide employee engagement and inclusion efforts
- Widen and deepen the list of recruitment channels for greater reach of talent in prospective hires

Accomplishments

- ✓ Diversified school representation and adopted a hybrid model in the Division's internship program
- ✓ Further cultivated an "Allocator to Best-In-Class Investor" mindset within the team, supporting career development
- ✓ Strengthened track record of growing talent from within via internal promotions, inter-divisional transfers, and hires among former interns

Stated Objectives

- Expand regularity and reach of successful Investments Division internship opportunities
- Ensure inclusive recruitment channels, career pathways, and succession planning
- Promote inclusive workplace culture within the Investments Division and LACERA

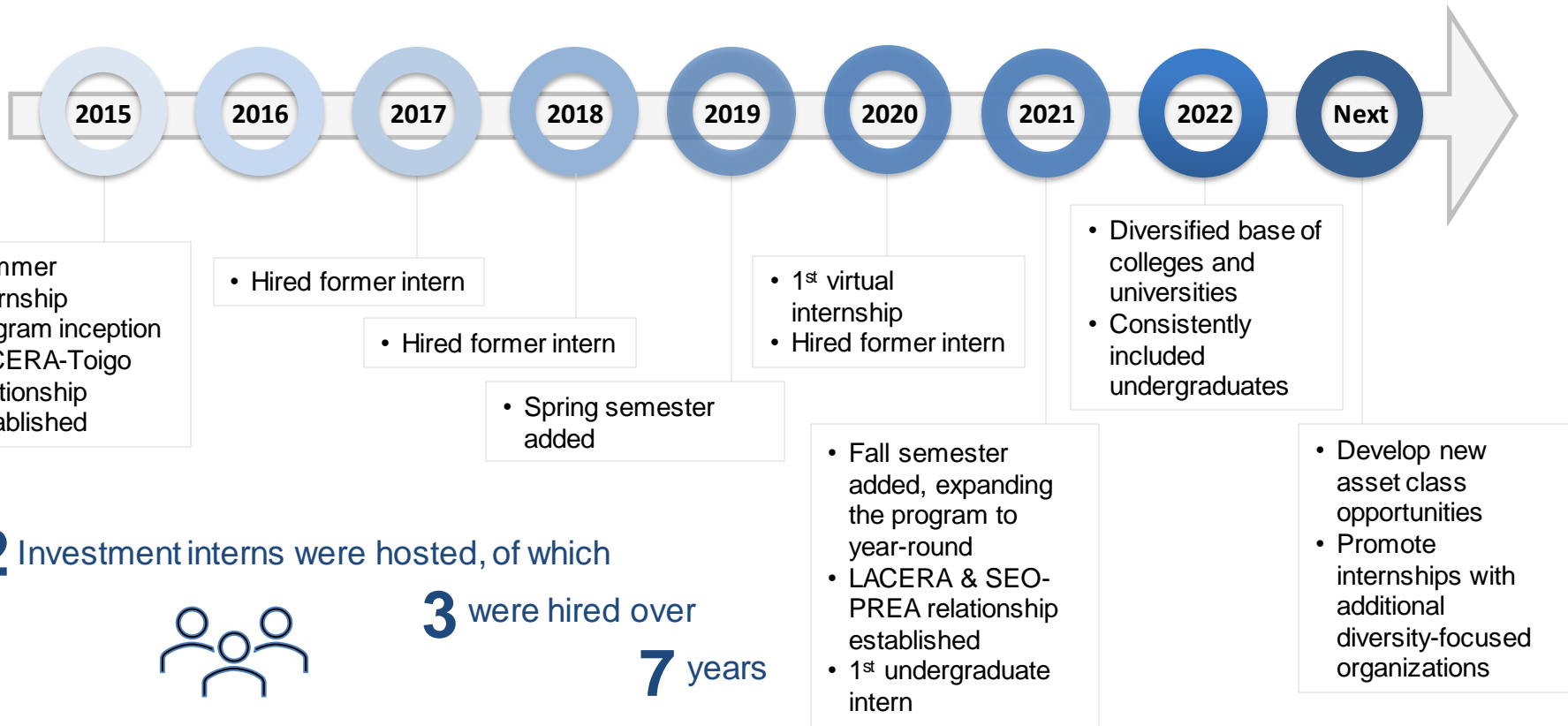
LACERA T.I.D.E.





Intern Opportunities

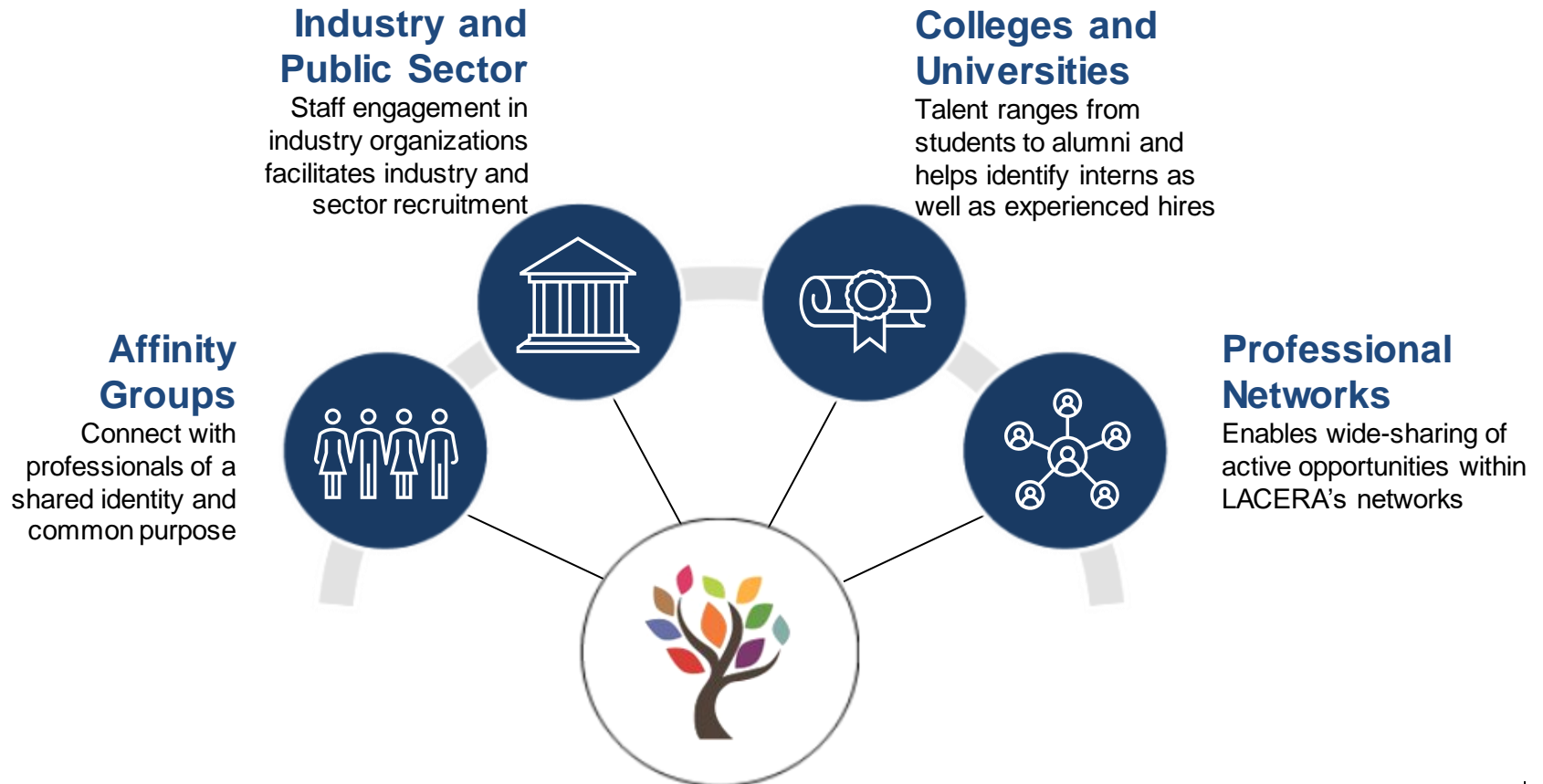
Objective: Expand regularity and reach of Investment Division internship opportunities, aiming to enhance the familiarity of prospective careers in investments and public service, as well as benefiting LACERA's Investment Team, internal culture, and recruitment efforts





Recruitment Channels

Objective: Facilitate equitable and inclusive recruitment channels, career pathways, and succession planning by partnering with Human Resources to widen and deepen recruitment channels and cultivate a diverse team





Talent Management

Objective: Enhance an inclusive and equitable workplace culture with diverse backgrounds to further LACERA's strategic objective to move from "Allocator to Best-In-Class Investor"

Recruitment Channels

Effectively expanded and deepened recruitment channels that are mindful of strategic initiatives including LACERA T.I.D.E.

Investment Acumen Cross Training

Pursuing multiple strategies to build foundation, enable exposure, and share best practices of competencies across asset classes and functional teams, including:

- ✓ cross-functional team projects
- ✓ internal investment committees

Career Path Development

Cross-team exposures and collaborations in various environments (i.e., in-person, virtual, and hybrid) can facilitate career progression and internal promotions. Total Fund orientation deepens each team member's expertise, helps further refine an "Allocator to Best-In-Class Investor" mindset, and allows for greater professional outcomes

Succession Planning

Attentive career path development aims to strengthen the bench for future succession planning in an inclusive, deliberate manner. This is a holistic approach designed to attract, develop, and retain future leaders

Pillar 2: Due Diligence



Internal
Practices



Due
Diligence



Active
Ownership



Capital
Formation



Industry
Advocacy

Due Diligence

Strategies to evaluate, influence, and monitor current and prospective external managers and vendors

Next Steps



- Continued push on data consistency, quality, reliability
- Use data set to inform manager benchmarking and progress
- Support efforts to expand DEI reporting, such as non-US
- Incorporate manager scorecard DEI pillar

Accomplishments



- ✓ Notable strides in firms with adopting DEI policies and reporting
- ✓ Manager reporting increasingly responsive, granular, candid
- ✓ Higher industry DEI priority, focus, diligence
- ✓ More nuance to LACERA DEI assessments
- ✓ Revised DEI summary slide in BOI recommendations

Stated Objectives

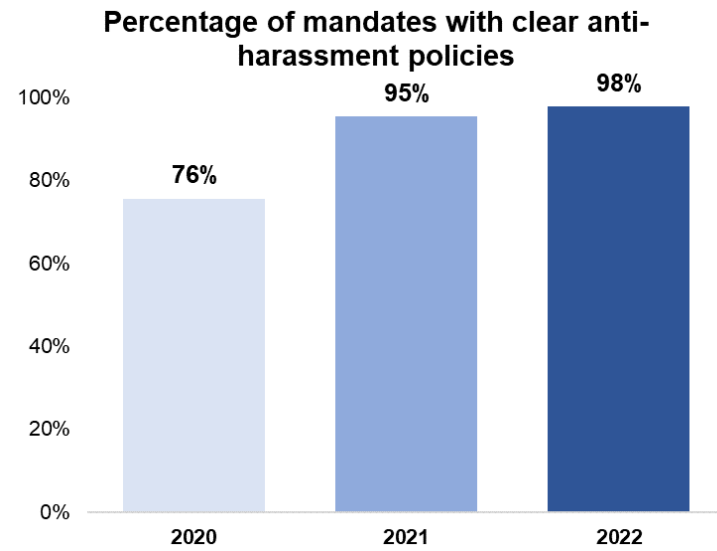
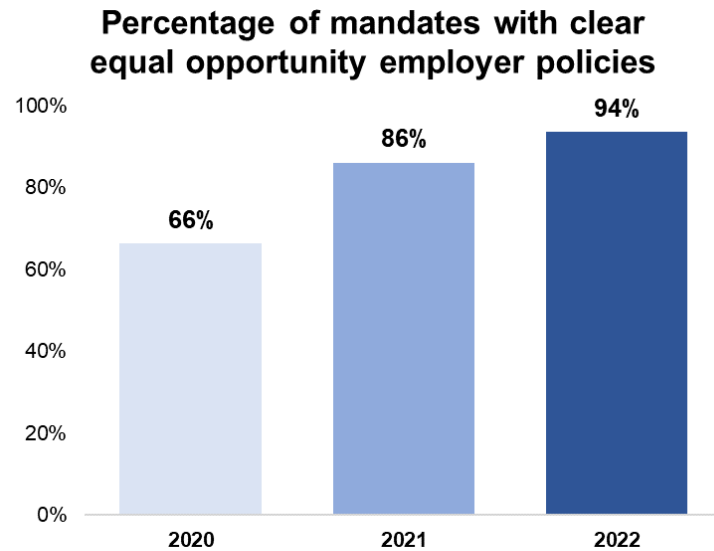


- **Policies:** 100% of investment partners should have DEI policies
- **Transparency:** 100% of investment partners should report DEI demographics of leadership and investment teams, where available
- **Contracting:** Incorporate DEI reporting requirements in investment contracts
- **Leading Governance Practices:** Encourage adoption of four practices
 - Board oversight
 - Clawbacks
 - Pay parity assessment
 - Portfolio integration
- **Develop Separate DEI Assessment in Manager Scorecard**



Established and Clear DEI Policies in Place

Objective: 100% of investment partners should have clear DEI policies

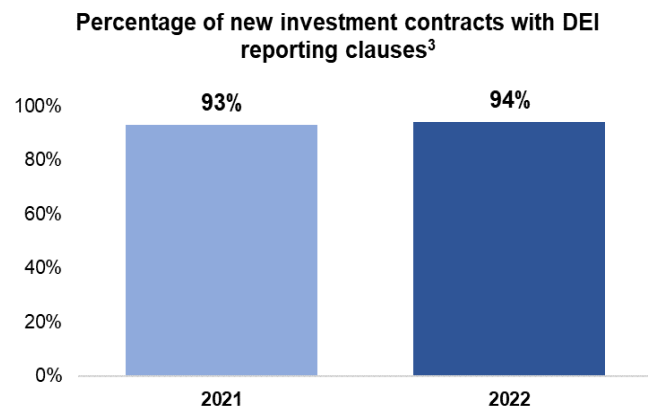
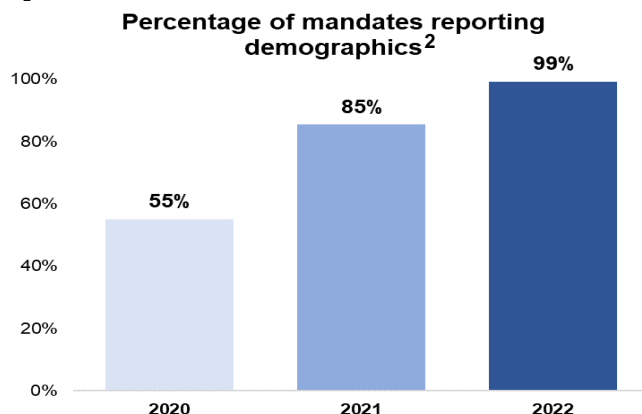


Observations

- Continued progress in percentage of firms with DEI-related policies in place
- Increase in firms with policies driven by firms adopting policies and more attentive manager reporting
- Firms lacking policies concentrated among non-US and smaller firms



Objective: 100% of investment partners should report available demographics of their investment teams and firm leadership¹



Observations

- Data quality and consistency improving but challenges remain for clarity and cross-border comparability
- Strong progress in investment partners reporting available demographic information
- Nearly all executed contracts continue to include clauses and terms to promote DEI reporting²
- Diversity attributes remain limited in scope
 - EEO-1 reporting requirements facilitate gender and race disclosures among US firms
 - Reported demographics at some non-US firms limited to gender demographics
 - All firms invited to report additional attributes on self-identified, voluntary basis
 - Some firms include additional attributes (e.g., national origin, LGBTQ, disability status) although challenges to quantify or aggregate remain

¹ As permissible according to local market laws, regulations, and privacy concerns

² For FY2022 reporting cycle, excludes one firm; four firms with data in non-comparable format excluded from data analysis in remainder of presentation

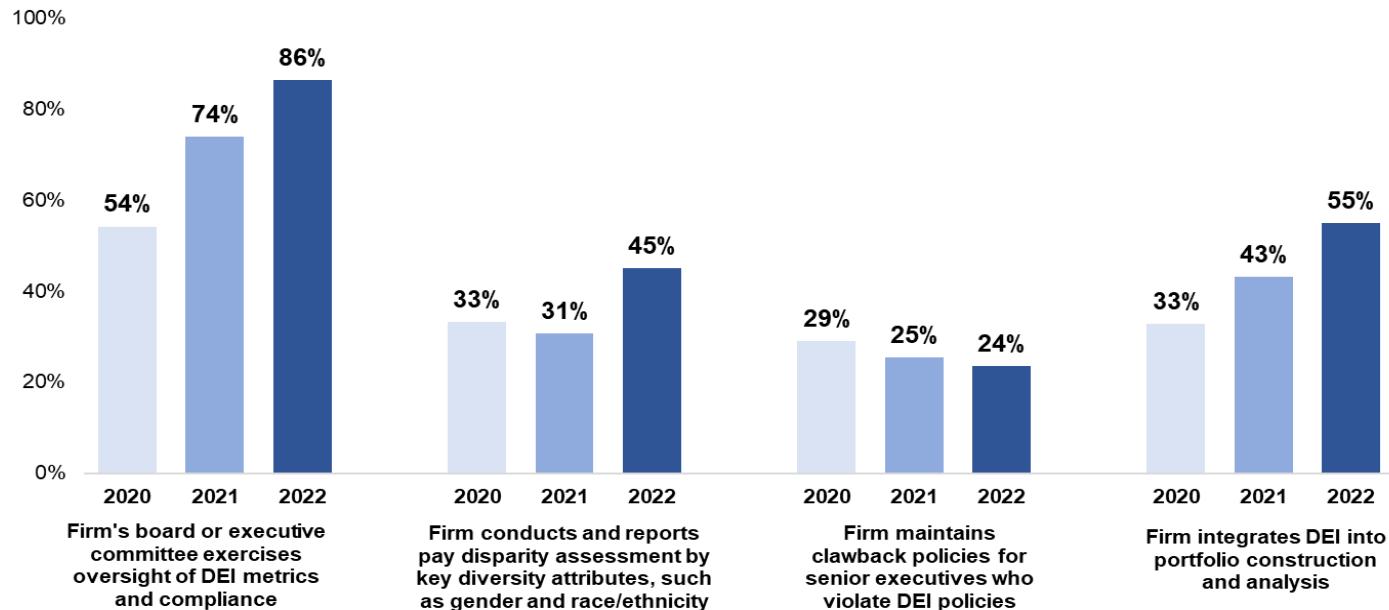
³ For FY2022 executed agreements, represents 33 of 35 executed agreements



Promote Leading DEI Governance Practices

Objective: Encourage adoption of four practices encouraging adherence to DEI

Percentage of LACERA mandates with four specific leading DEI practices



Observations

- Increased percentage of firms in LACERA's portfolio with board oversight and portfolio integration of DEI
- Robustness and formality of reported practices vary considerably
- Clawbacks decreasing as fewer managers in expanding asset classes have provisions to recoup compensation in the event of misconduct related to anti-harassment and non-discrimination policies



Sample of Progress from Investment Partners

Engagement and monitoring illustrate a range of advances, such as:

- ✓ Increased focus on tracking and reporting workforce demographics
- ✓ Formal adoption of new DEI policies, formal initiatives, and new hires to manage DEI efforts
- ✓ Wider employee recruitment, hiring, and board level inclusion efforts

A Global Equity manager signed the CFA Institute's DEI Code which calls on firms to use their influence to promote meaningful DEI change

A Private Equity firm formalized the DEI reporting process by adopting new software to facilitate trend analysis and provide reporting

A Global Equity manager has adopted a formal DEI policy due to LACERA's influence

Manager introduced an assessment of employees' "conscious inclusion" into employee performance reviews to deepen DEI efforts

A Private Equity manager launched a "Women on Boards" initiative to prepare women senior executives to serve as independent board members of portfolio companies

Credit manager adopted a DEI strategy and partnered with a consultant to implement best practices

Global Equity firm hired a dedicated global head of DEI who reports to the president and COO

A Private Equity firm works with external recruiters to ensure a diverse slate of candidates among the talent pipeline for undergraduate hires

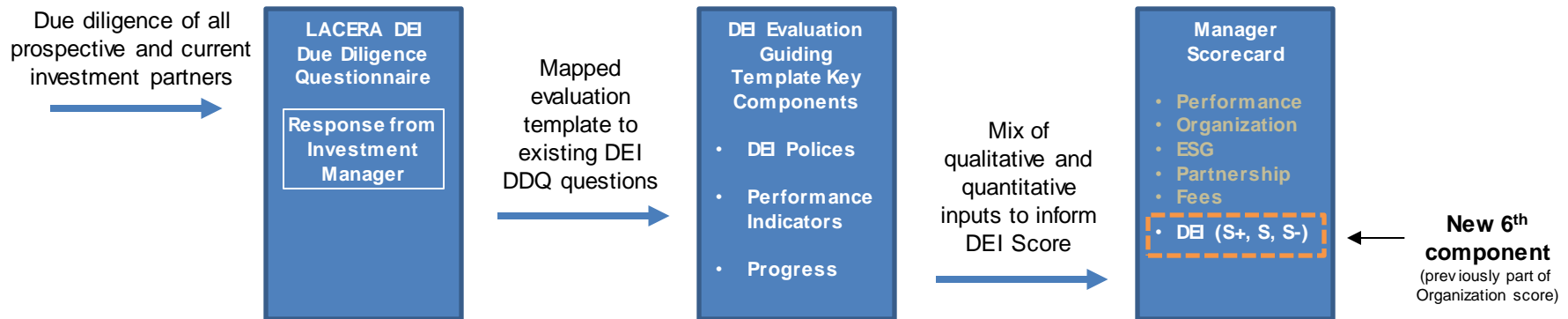
A Credit manager expanded their DEI efforts to include reporting and assessment of workforce composition

A manager reported increased diverse representation among associate candidates



Manager Scorecard DEI Assessments

Continued Refinement of Consistent DEI Manager Scorecard Assessments



All investment mandates assessed and updated across portfolio

- Full team effort
- Added granularity in scored categories to reflect range of manager practices and evolution
- Emphasized both qualitative and quantitative factors covering DEI policies, performance, and progress
- Enhanced cohesion and consistency in assessment scores across asset classes
- Anticipate reporting DEI assessments in quarterly Manager Scorecard reports in calendar year 2023

Pillar 3:

Active Ownership



Internal
Practices



Due
Diligence



Active
Ownership



Capital
Formation



Industry
Advocacy

Active Ownership

Strategies to encourage sound DEI practices at portfolio companies by voting proxies and governance engagements

Next Steps



- Continue public markets initiatives in proxy voting, corporate engagement, and policy advocacy
- Increase focus on portfolio companies in private asset classes by engaging key private market managers on portfolio company board and workplace DEI practices

Accomplishments



- ✓ Continued strides in board diversity initiative, with 310 directors of diverse backgrounds appointed in past 4 years
- ✓ Proxy voting supported DEI disclosures and practices
- ✓ Regulatory and legislative advocacy of DEI disclosures

Stated Objectives



- Robust proxy voting in support of board diversity and sensible DEI policies
- Advance corporate board diversity, inclusive of gender, race, and LGBTQ community
- Clarify and encourage effective DEI governance practices at engaged companies

LACERA T.I.D.E.



DEI in Proxy Voting



Active
Ownership



LACERA's Corporate Governance and Stewardship Principles Promote Board Quality and Inclusion

- ✓ Corporate directors should have the requisite mix of skills to oversee strategy and risk on investors' behalf
- ✓ LACERA encourages companies to cast a wide net for talent and expects to see **a credible track record of inclusion**
- ✓ Diversity is broadly defined, including gender, race, ethnicity, gender identities, sexual orientation, and disability status

LACERA Applies Principles for Board Diversity in Proxy Votes Universally in All Markets

- ✓ Based on available disclosures (typically limited to gender in most markets), LACERA votes "Against" certain directors (such as nominating committee chair or board leadership) **in all markets** when there is a lack of board diversity
- ✓ LACERA opposed 7.6% of director nominees in FY2122 for failing to put forward inclusive director nominees¹

Board Diversity Continues to Increase Yet Remains Limited

- ✓ Women comprise 26% of Russell 3000 Index company board seats, up from 12% in 2013; 74 boards lack women²
- ✓ No S&P 500 boards lack racial diversity as of 2022 and 23% of S&P 500 directorships are people of color
- ✓ Percentage of Russell 3000 boards with no racial diversity decreased from 38% in 2020 to 10% in 2022³
- ✓ Racially/ethnically diverse directors of Russell 3000 Index board seats increased from 7% in 2013 to 16% in 2022³

Increasing Disclosure of Workforce Demographics and Support For Civil Rights/Racial Equity Audits

- ✓ Surge in investor support asking companies to disclose workplace diversity: Constellation Software (63%), Tesla (55%)
- ✓ Number of shareholder proposals requesting diversity disclosures declined from 44 in 2021 to 6 in 2022 as disclosure becomes prevalent among large companies and companies disclose prior to a proposal being voted
- ✓ Strong investor support for new shareholder proposals requesting civil rights/racial equity reports and audits: Altria (62%), Apple (54%), Johnson and Johnson (63%), McDonald's (55%), Home Depot (63%), Waste Management (55%)

¹ Analysis by LACERA and ISS covers Fiscal year 2021-2022 proxy votes

² ISS. 2022 Proxy Season Review : US Director Elections & Governance. Available at <https://insights.issgovernance.com/posts/2022-proxy-season-review-u-s-director-elections-governance/>.

³ ISS Insights - Racial and Ethnic Diversity on US Corporate Boards. Available at <https://insights.issgovernance.com/posts/racial-and-ethnic-diversity-on-us-corporate-boards/>.



Advancing Board Diversity in Public Markets



Corporate Board Diversity Engagement Initiative

310 directors appointed at
231 engaged companies over
4 years

Objective : Encourage board quality through casting a wide net for director talent, inclusive of diverse backgrounds

Initiative: 4th year collaborative engagement with peer California funds (CalPERS, CalSTRS, and San Francisco ERS)

Identify and engage portfolio companies lagging in board diversity based on available disclosures

- Letters and dialogues with corporate directors to encourage robust board self-evaluation and recruitment practices

Progress Report

- **56 directors** appointed at 43 of 57 at engaged US firms last year
 - ✓ 32 women and 42 directors of color, of whom 18 women of color
- **310 directors appointed over past four years** at 184 boards of the 231 total engaged companies
 - ✓ Includes both women and people of color
 - ✓ 3 firms disclosed LGBTQ board representation
 - ✓ All disclosures on voluntary, self-identified basis

Current FY22-23 Engagement Cycle

- 60 firms engaged for gender, race/ethnicity, and LGBTQ community inclusion in board recruitment

Expand DEI Engagements in Private Market Portfolio Companies



Active
Ownership

Objective

- Advance portfolio company board diversity and constructive DEI practices in private markets to encourage firms to cast a wide net for talent¹

Background and Details

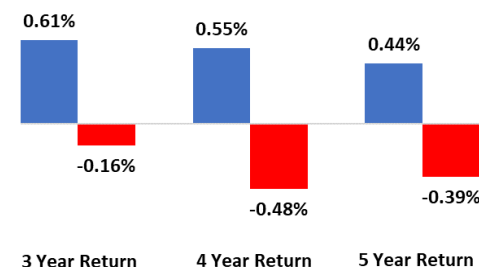
- Over half of LACERA's private equity general partners report that they integrate DEI into portfolio company management
 - Unclear how DEI is considered in portfolio company board composition
 - Some efforts to influence portfolio company management on DEI
- Private equity portfolio company boards indicate low inclusion profiles:²
 - 39% have no women³
 - 14% of directors are women
 - 3% are women of color
 - 18% are men of color
- LACERA restated its Responsible Contractor Policy (RCP) in 2022, incorporating DEI expectations of real assets managers

Next Steps

- Initiate pilot project to engage several current general partners to focus and report on portfolio company board diversity
- Institute reporting from real assets managers of RCP DEI policy adherence

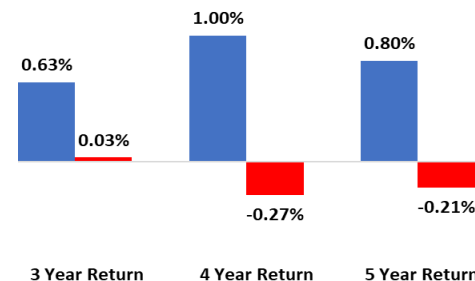
Russell 3000 Index - Average
Annual Active Return

■ 2 or more women ■ fewer than 2 women



Russell 3000 Index - Average
Annual Active Return

■ 3 or more racially/ethnically diverse directors ■ fewer than 3 racially/ethnically diverse directors



¹ Institutional Shareholder Services, "The Content of Their Character: How Diversity & Inclusion Continue to Drive Change", <https://insights.issgovernance.com/posts/the-content-of-their-character/>, Charts on right of slide show relative performance of Russell 3000 Index public companies based upon diversity attributes.

² Him for Her & Crunchbase, "2021 Study Of Gender Diversity On Private Company Boards", <https://news.crunchbase.com/business/him-for-her-2021-diversity-study-private-company-boards/>

³ Data covering corporate board diversity at private companies is not widely available. The study analyzed 500 companies, at which 195 had no women serving on their boards.



Pillar 4:

Capital Formation



Internal
Practices



Due
Diligence



Active
Ownership



Capital
Formation



Industry
Advocacy

Capital Formation

Strategies to facilitate capital formation among firms with diverse ownership, such as emerging managers

Next Steps



- Continue to enhance insights on firm ownership demographics, where available
- Continuously widen sourcing funnel for managers who embrace diverse teams to improve portfolio results
- Further expand emerging manager opportunities by launching emerging manager program in Real Assets

Accomplishments



- ✓ Expanded systematic reporting on firm ownership demographics
 - Increased percentage of firms reporting demographics from prior year
- ✓ Doubled emerging manager program opportunities
 - Completed searches for private equity, illiquid credit, and global equity
 - Board increased global equity emerging manager program target allocation from 0-5% to 0-10%
- ✓ Continued annual review of the Board's consultant diversity practices

Stated Objectives



- Systematically track firm ownership attributes across Fund, as available
- Take holistic view of capital formation by tracking allocations by firm demographics
- Ensure robust emerging manager opportunities across Fund
- Identify opportunities to widen sourcing funnel

LACERA T.I.D.E.

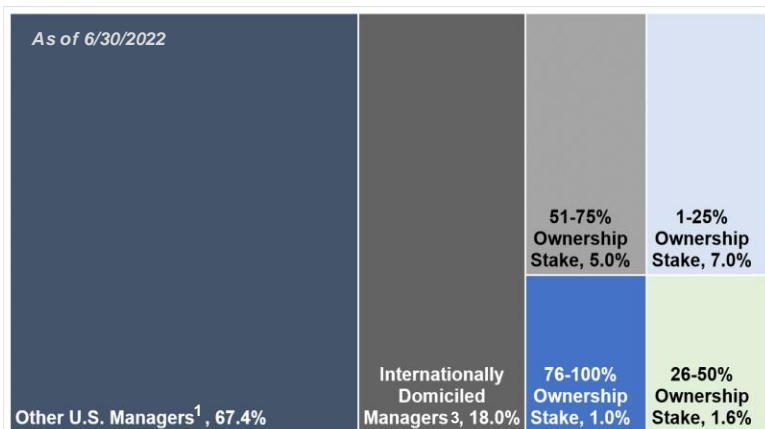




Investment Partners by Firm Ownership

Objective: Systematically track demographics of investment partners' ownership across all mandates (to the extent they are available and reported) to monitor reach of inclusion of LACERA's capital commitments

Total Fund AUM by Firm Ownership



- An aggregate of 14.6% of total Fund AUM is managed by US-based firms with a portion of firm ownership held by women or people of color²
- In absolute terms, assets managed by US-based diverse firms equal US\$10.1 billion
- 1.8% of total Fund AUM (\$1.3 billion) are US-based with diverse ownership that are within LACERA's emerging manager programs, up from 1.3% (\$910.4 million) last year and 1.2% (\$582.6 million) from prior year

Active AUM by Firm Ownership

- 22.2% of assets (\$10.1 billion) in actively-managed mandates (i.e., excluding passive index strategies) are managed by US-based firms with diverse ownership, up from 10.6% in 2021 and 11.0% in 2020
- 2.8% (\$1.3 billion) of active assets under management are managed by US-based firms with diverse ownership that are in LACERA's emerging manager programs, up from 1.5% in the previous year



¹ "Other US Managers" includes publicly traded companies and US-based managers with no reported equity ownership by women or people of color.

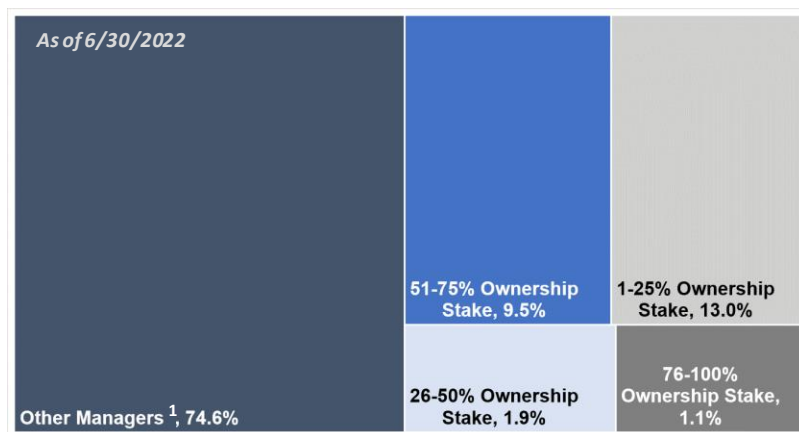
² "Diverse ownership" indicates firms that report a portion of equity ownership by women and/or people of color based on EEO-1 classifications. Additional attributes have not been reported.

³ "Internationally Domiciled Managers" is included to represent all assets managed by non-U.S. firms, regardless of ownership DEI attributes.

Fee Analysis by Firm Ownership

Objective: Monitor fee distribution by reported investment partners' ownership across all mandates (to the extent they are available and reported) to monitor equity and inclusion of LACERA's capital commitments

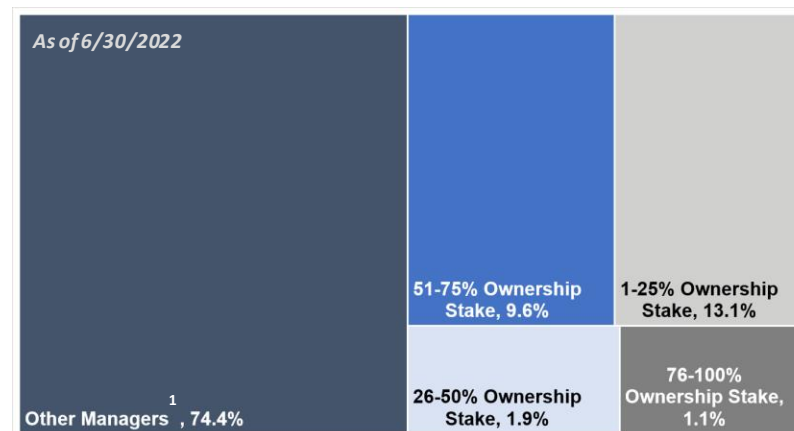
Total Fund Fees Paid by Ownership



- Aggregate fees paid to US-based firms with diverse ownership increased to 25.4% of total Fund fees paid, compared to 12.7% in 2021 and 12.1% in 2020
- Fees paid to emerging managers with diverse ownership represent approximately 4.1% of total Fund fees paid. This is increased from 2.8% from prior year and 2.1% from 2020²

Active Fees Paid by Ownership

- Fees paid to US-based firms with diverse ownership in actively-managed investment mandates increased to 25.6% of total active fees paid, relative 12.8% last year and 12.2% in 2020
- Emerging managers with diverse ownership represent approximately 4.1% of fees for actively managed mandates, an increase from 2.8% in 2021 and 2.1% in 2020



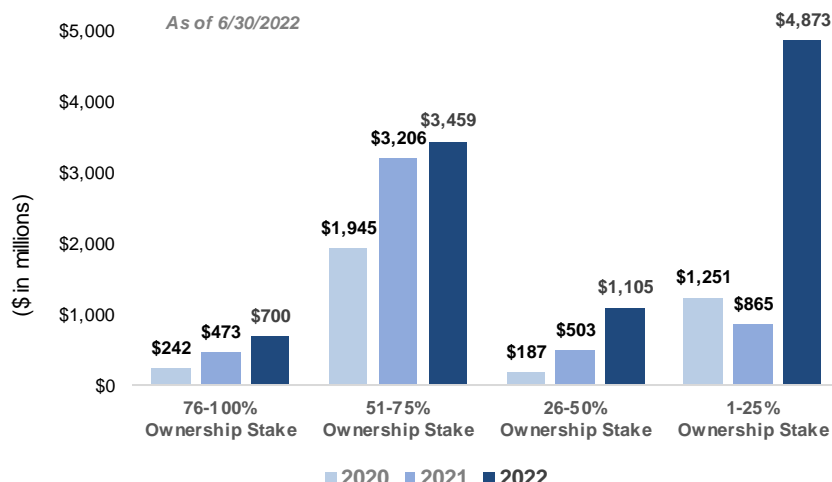
¹ "Other Managers" includes publicly traded companies that do not disclose broad employee ownership, US-based managers with no diverse ownership, and internationally domiciled managers

² LACERA emerging managers are composed of diverse-owned firms and non-diverse-owned firms



Investment Partners Trend Analysis

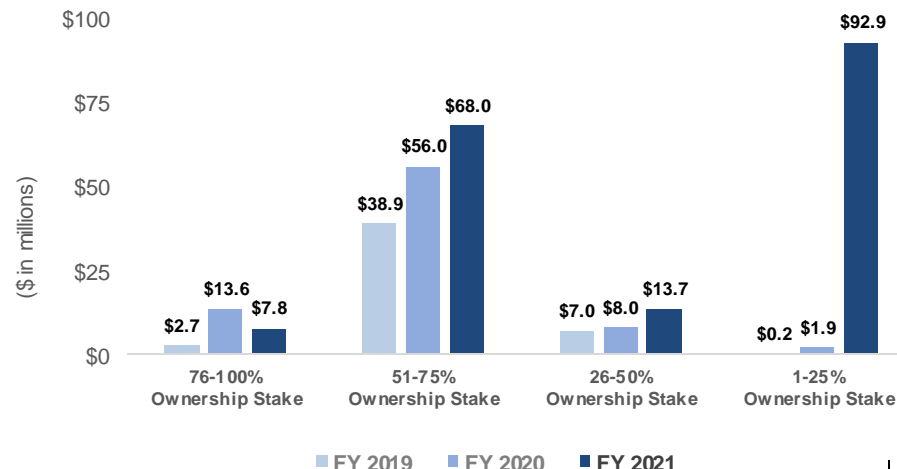
US AUM by Ownership



- LACERA's deliberate due diligence practices have led to improvements in manager reporting and contributed to the year-over-year increase in the demographic ownership information
- In absolute dollar terms, total AUM managed by firms with diverse ownership equaled \$10.1 billion. This increase is due to enhanced data collection and has led to a sharp rise in the 1-25% diverse ownership category
- After normalizing the year-over-year manager data, assets managed by firms with diverse ownership remained flat

US Fees Paid By Ownership

- Total fees paid to managers with diverse ownership rose to \$182.4 million in absolute terms. This increase is mostly due to enhanced data collection
- After normalizing the year-over-year manager data and comparing it to year-over-year AUM, fees paid to managers with diverse ownership increased by 31 basis points
- LACERA consistently structures each mandate with the best possible terms available across the total Fund to enhance future outcomes

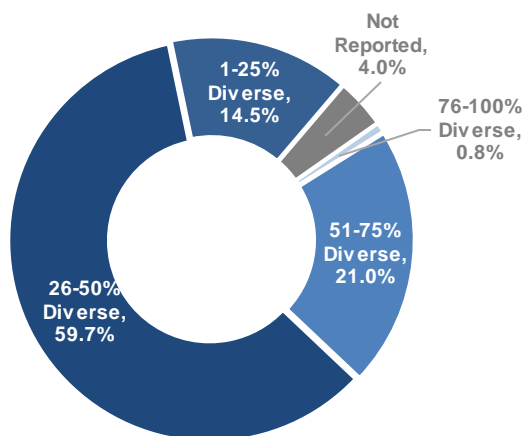




Investment Partners Demographic Attributes

Objective: Monitor capital commitments by demographics of investment partners' investment and leadership teams as new firms may be founded by professionals from established firms

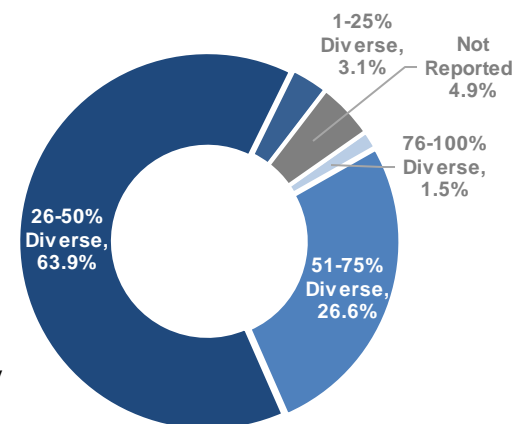
Breakdown of U.S. Managers by Investment and Leadership Team Demographics¹



- The US Manager distribution by demographic shows the percent composition of investment and leadership teams that are women and/or people of color
- For example, 21% of mandates are managed by teams with 51% to 75% of their investment and leadership teams comprised of women and/or people of color

Total LACERA AUM by U.S. Demographic Composition

- The chart on the right shows the distribution of LACERA's assets managed by US-based managers divided by quartile of their combined investment and leadership team demographics that include women and/or people of color
- For example, 26.6% of LACERA assets are managed by teams with 51% to 75% of their combined investment and leadership comprised of women and/or people of color. Team demographics remained relatively unchanged across the various categories



¹ Analysis conducted based on the most recently reported data from investment partners including firms that did not provide demographic data in analyzable format and firms terminated after June 30, 2022, fiscal year-end. Private equity separate account emerging manager program underlying sub-managers excluded from data analysis due to unavailability of demographics data.

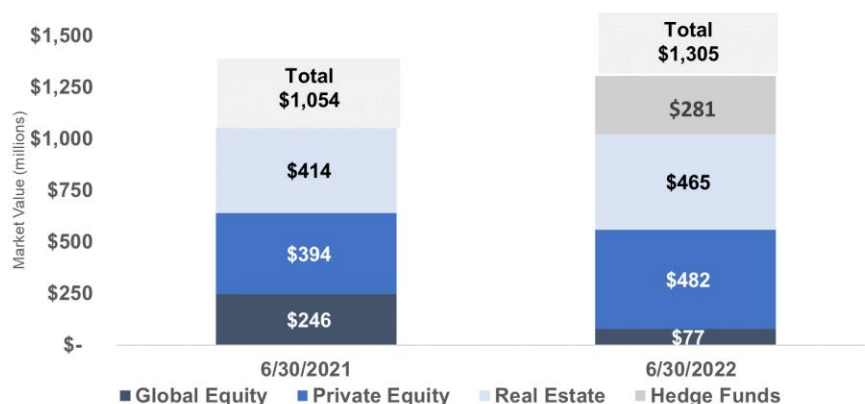
Broadening Inclusion through Emerging Manager Programs



Capital
Formation

Objective: Evaluate newer firms that may generate attractive returns, stemming from flexibility provided by smaller asset bases and more nimble investment approaches

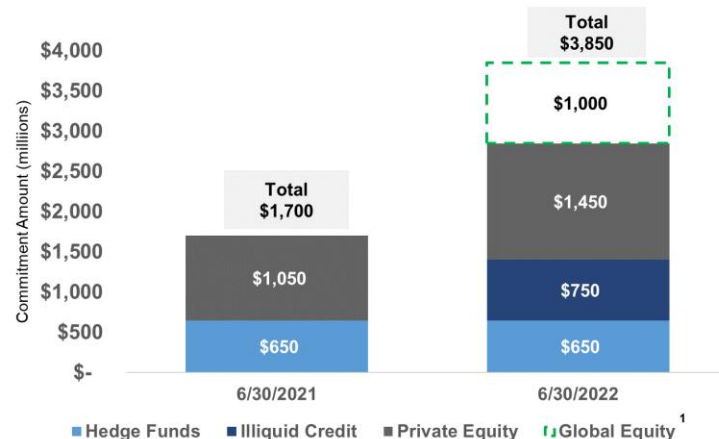
LACERA Emerging Manager Market Value



- LACERA's emerging manager ("EM") market value increased from \$1.1 billion to \$1.3 billion from increased investments to EMs and market appreciation from June 2021 to June 2022
- LACERA deployed \$280 million to new EM mandates in hedge funds during fiscal year with an additional \$40 million deployed in Q3 2022
- Illiquid credit made first commitment of \$100 million in October 2022
- Private equity and global equity are in contract negotiations for newly approved EM mandates

Expanding Allocation Opportunities to Emerging Manager Asset Categories

- LACERA more than doubled its emerging manager target allocations from prior year
 - Illiquid Credit EM program approved for 15% target allocation in October 2021
 - Private equity initiated its 5th EM program with a \$400 million allocation in February 2022
 - Board increased global equity EM program target range by 5% (~\$1 billion) in October 2022
- Board-approved Real Assets structure review includes upcoming launch of an EM program for Real Assets



¹ Global equity allocation range increased after FY 2022.

Pillar 5: Industry Advocacy



Internal
Practices



Due
Diligence



Active
Ownership



Capital
Formation



Industry
Advocacy

Industry Advocacy

Strategies to improve LACERA's opportunity set by advancing DEI best practices across the financial services industry

Next Steps

- Continue outreach to organizations to broaden reach of LACERA T.I.D.E.
- Explore industry affiliations that are consistent with and can augment industry advocacy (e.g., consider becoming signatory to CFA Institute's DEI code)
- Seek to influence trade organizations, consultants and other business partners to improve quality of DEI data and disclosures

Accomplishments

- ✓ Trustees and staff featured as speakers, panelists, and moderators at over 110 events since launch of LACERA T.I.D.E.
- ✓ Inaugural CFA-LA and LACERA annual DEI event and quarterly DEI roundtables with other local public pension plans, asset managers and consultants
- ✓ Continued collaboration and outreach with affinity groups, industry organizations and business partners to increase visibility of LACERA's advocacy efforts

Stated Objectives

- Expand industry influence through active engagement
- Collaborate with peers to advance best practices in DEI
- Improve availability and reliability of DEI data and disclosures
- Become a recognized leader in advocating for DEI in investment management industry

Expand Industry Influence



Industry
Advocacy

Objective: Advance industry focus on DEI by elevating LACERA's profile and engaging industry on DEI

Update: Trustees and staff spoke at over 110 industry events on DEI since T.I.D.E.'s inception

Select 2022 events include

CALAPRS Trustees Roundtable
2021 Milken Institute Global Conference
The Women's Alliance of Saxena White
LACERA and CFA-LA annual DEI Conference
Council of Institutional Investors
Women Investment Leaders Summit
TIDE Spark
2022 LAVCA ESG Awards
CFA Research Challenge
RFK Compass Emerging Manager Roundtable
NASP SoCal
Prequin Women in Alternatives
ILPA Diversity in Action Roundtable
NAIC Diverse Manager Roadshow
Nossaman DEI Roundtable

CALAPRS
EDUCATION • COMMUNICATION • NETWORKING

California Association of Public Retirement Systems



MILKEN
INSTITUTE



CFA Society
Los Angeles

Women's  Alliance



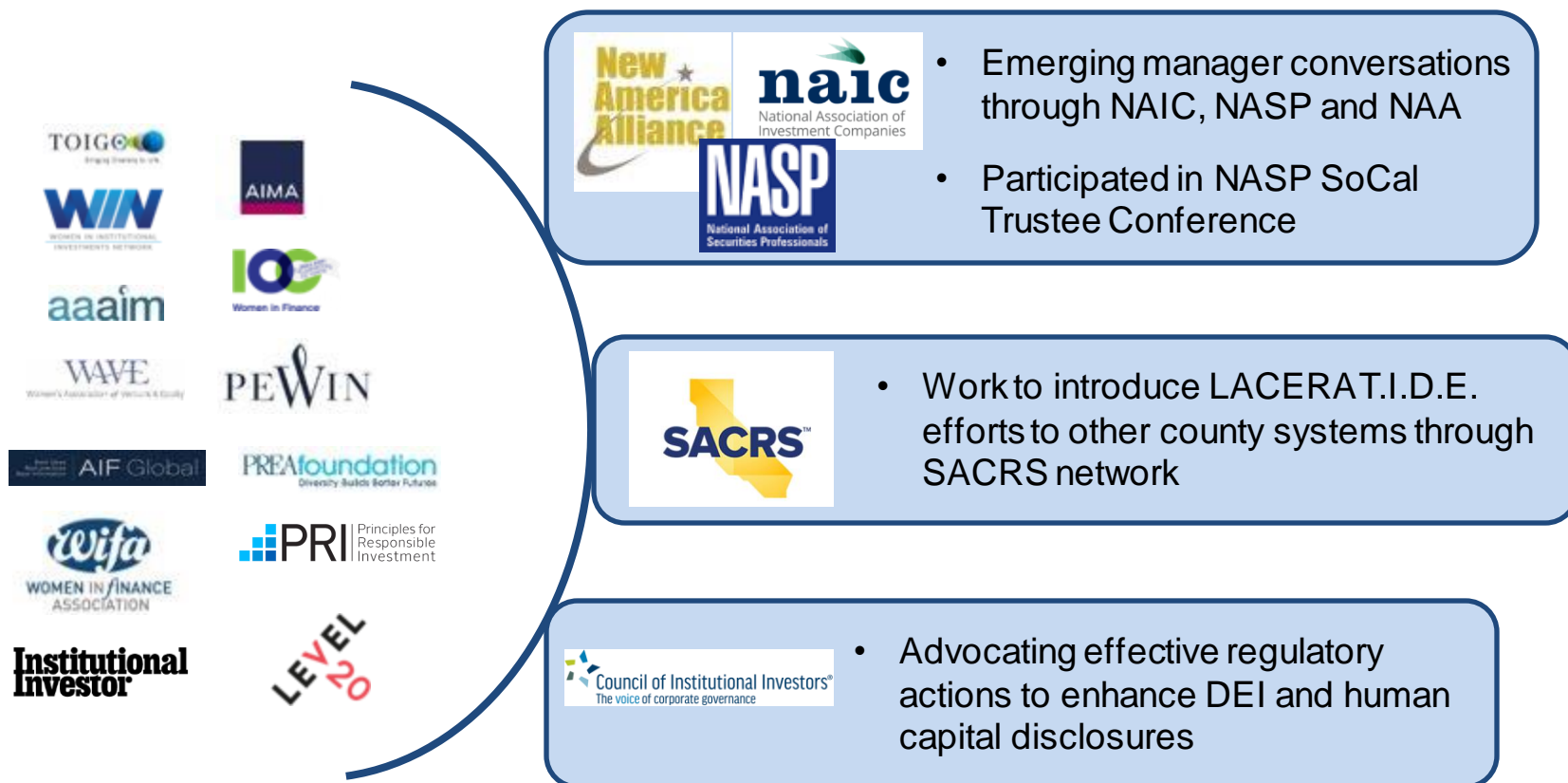
INSTITUTIONAL
LIMITED PARTNERS
ASSOCIATION



Collaborate to Advance Best Practices

Objective: Collaborate to clarify and promote adoption of DEI best practices

Update: Ongoing outreach with industry organizations, asset managers, consultants and other public pension plans



Improve DEI Data Availability and Reliability

Objective: Support efforts to improve availability and reliability of DEI data and disclosures for constructive due diligence

Update: Continuing work with PRI, ILPA and consultants to improve consistency of DEI data



- Provided input into new PRI standardized DEI due diligence questionnaire (“DDQ”) template, launched in 2022, to expand global DEI focus across markets
- LACERA is PRI signatory and serves on various advisory committees



- LACERA participates on ILPA DEI committee
- Continuing to encourage private equity managers to become ILPA “Diversity in Action” signatories
- Provided feedback on DEI metrics template and DDQ
- Explore potential of collaborating with other industry groups to further standardize data collection and disclosure



- Support the International Financial Reporting Standards new sustainability reporting framework to expand corporate disclosures of human capital and DEI performance using SASB standards



Objective: Provide a constructive voice for deliberate, pragmatic and meaningful focus on integrating DEI into the investment process

Update: LACERA's profile on advocating for DEI continues to elevate

CFA LA Collaboration

- Partnered with the CFA Society of Los Angeles to hold a series of roundtable discussions amongst institutional investors, asset managers, and consultants in Southern California
- Conversations culminated in the first annual LACERA/CFA LA DEI Conference featuring a fireside chat and panel summaries

LACERA Speaker Spotlight

- LACERA staff featured as fireside chat speaker at private equity sponsor's annual CEO summit
- Chat focused on LACERA's integration of DEI in all aspects of investment process as an important driver of superior risk-adjusted performance

Observations



Observations

1. Continued strong strides in several areas, including

- 99% of investment partners reporting available DEI demographics, up from 55% over 2 years
- Improved insight into investment partners' DEI practice, policies, and demographic profiles
- Over 300 directors of diverse backgrounds appointed to corporate boards
- Increased allocation opportunities for emerging managers

2. LACERA pursuing full Fund approach

- Standard part of diligence and monitoring of all investment mandates
- Every asset category, every mandate
- Steady yet asymmetric progress

3. Industry is evolving

- More candor, less window dressing from investment partners
- Focused engagement yielding some progress in policies and practices
- Increasing attention beyond “diversity” alone to include equity and inclusion
- More elevated executive oversight from HR/compliance
- Expansion of industry efforts to facilitate reporting (PRI, ILPA, CFA Institute, AIMA)

4. Noted challenges being addressed to further refine progress

- Progress is uneven and may be influenced by firm size and maturity
- DEI information not readily available in some non-US markets and for range of DEI attributes
- DEI focus remains uneven within firms, from senior positions to incoming junior positions
- Some continued inconsistent DEI disclosures from firms year-over-year

Advanced, Unique Model of DEI Integration

LACERA T.I.D.E. continues to be innovative approach to further our strategic objective of moving from “Allocator to Best-in-Class Investor”

Earnest, routine, comprehensive analysis and reporting helps advance iterative improvements

1. More Information and Insights on Manager Practices

- 5 years of comprehensive DEI due diligence provides expanding data and team knowledge
- Enables year-over-year trendlines, peer comparisons, analysis



2. Analyzing Information with Greater Insights

- Compare asset managers to peers by asset class, firm size, location, etc.
- Advise investment partners when they lag in DEI reporting and practices
- Better equipped to spot “window dressing” disclosures

LACERA T.I.D.E.

3. Fostering Comprehensive Approach to DEI

- Covering policy, processes, practices, and demographic profiles
- Inclusive of executives, investment teams, and equity owners

4. Pursuing Synergies in LACERA T.I.D.E. Pillars and Strategic Work Plan

- Industry advocacy to support DEI reporting frameworks improves our due diligence tools
- DEI focus on the investment teams at asset managers may open opportunities for talent to spin off new firms and expand our opportunity set