

November 26, 2024

TO: Each Trustee
Board of Investments

FROM: Jonathan Grabel 
Chief Investment Officer

FOR: December 11, 2024, Board of Investments Meeting

SUBJECT: **Annual Update and Review of LACERA TIDE (Towards Inclusion, Diversity, and Equity)**

The attached presentation (**Attachment**) summarizes recent activities, progress, and anticipated next steps of LACERA's TIDE initiative for Trustee review.

Attachment

Annual Review of LACERA TIDE Towards Inclusion, Diversity, and Equity

Board of Investments Meeting
December 11, 2024

Discussion Outline



1. LACERA TIDE Background and Objectives of Review
2. Review of Progress in Each of the Five LACERA TIDE Pillars
 - Internal Practices
 - Due Diligence
 - Active Ownership
 - Capital Formation
 - Industry Advocacy
3. Observations

Integral to Strategic Initiatives and Work Plan



LACERA TIDE is one of the five initiatives of LACERA's Strategic Initiatives and Work Plan, as reviewed and ratified by the Board¹

Each of the five strategic initiatives aims to strengthen LACERA's position to optimize its Strategic Asset Allocation and fulfill its mission to members in line with fiduciary duties

Each strategic initiative has near-term and long-term goals

Towards Best-In-Class Investor 2025 Strategic Initiatives and Work Plan Investments Division

Board of Investments Meeting
January 10, 2024

The Investments Division Strategic Plan includes five strategic initiatives that aim to optimize LACERA's ability to execute its strategic asset allocation and fulfill its mission to **produce**, **protect**, and **provide** the promised benefits.

Strategic Initiatives and Work Plan for LACERA's Investments Division

LACERA's mission is to produce, protect, and provide the promised benefits to our members



¹ Towards Best-In-Class Investor: 2024 Strategic Initiatives and Work Plan – Investments Division. Board of Investments Meeting. January 10, 2024

Compelled by Mission and Fiduciary Duties



History

LACERA consolidated various longstanding initiatives and strategies that related to cultivating inclusive workplaces, diligencing asset managers on any history of discrimination or harassment, and other approaches related to diversity, equity, and inclusion (DEI) in 2020 under the umbrella name “LACERA Towards Inclusion Diversity and Equity” (LACERA TIDE), as ratified by the Board.

Objective

Through the various strategies outlined in LACERA TIDE, LACERA aims to optimize its ability to fulfill its mission by being attentive to both the risks and opportunities related to effective and inclusive talent management within the Investments Division, at our investment partners, and in the financial services industry.

Investment Risks and Opportunities

Some reasons why LACERA considers DEI in its investment process and when evaluating investment partners:

Performance	Inclusive teams with diverse backgrounds correlate with better financial performance
Innovation	Diversity of thought to inform better decisions
Talent	Broader recruitment, retention, and engagement of employees
Risk Mitigation	Risks of “groupthink”
Compliance	Legal, regulatory risks and morale impact when discrimination and harassment occur
Reputation	Inclusion enhances employee, client, stakeholder perceptions
Efficiency	Wasted resources when firms are in “response mode” and reactive rather than proactively cultivating effective talent management



LACERA's mission is to produce, protect, and provide the promised benefits to our members



- LACERA's [Investment Policy Statement](#) (IPS) articulates LACERA's investment beliefs, including an explicit recognition that “people matter;” e.g., talent management is key to generating and safeguarding investment performance.¹
 - The IPS includes LACERA belief that organizations comprised of diverse backgrounds and managed in an inclusive and equitable manner can mitigate risks, capture upside opportunities, and optimize outcomes.¹
 - LACERA considers diversity broadly, inclusive of—but not limited to—professional backgrounds, age, experience, race, sexual orientation, gender, gender identity, disability status, military service, ethnicity, national origin, and culture.¹
-
- Annual review of progress against stated near-term and long-term goals
 - Iterative process of continuous improvement driven by the full investment team



Objectives for today's review include:

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

¹ Investment Policy Statement is available at www.lacera.com.

LACERA TIDE Consists of 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

Multi-pronged initiative to advance mission to enhance and safeguard returns in adherence to fiduciary duty

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



Executive Summary



- ✓ **Progress:** LACERA's **intentional, cohesive, team-driven** approach to DEI in its investment process is yielding steady strides across all five pillars
- ✓ **Insights:** We have **more information and responsiveness** from asset managers than ever, enabling opportunities for analysis and insights, such as peer benchmarking, identification of meaningful practices, and spotting laggards
- ✓ **Industry Collaboration Is Key:** LACERA's progress in diligence and advocacy are benefiting from supporting credible industry efforts and frameworks, such as reporting templates that guide expanding manager disclosures in additional geographic markets and wider DEI attributes

1

Internal Practices

- Inclusive internal investment committees
- Internal mobility, promotions, and collaborative projects
- Widening intern program

2

Due Diligence

- 100% of mandates diligenced for DEI practices
- 100% responsiveness to LACERA annual diligence updates
- Signs of expanded diversity among investment partners

3

Active Ownership

- Portfolio firms added nearly 450 directors after dialogue
- Vote proxies for human capital disclosures and policies
- Market trends show more companies are responsive to investor DEI support

4

Capital Formation

- 25% of assets managed by teams with majority of women and/or people of color
- Tripled assets managed by emerging managers and expanded allocation opportunities

5

Industry Advocacy

- Convened 15 Los Angeles area roundtables and virtual conferences with CFA Society covering best practices and challenges
- Active dialogues with affinity groups



Review of Progress Across Five Pillars

Pillar 1: Internal Practices



Internal Practices

Internal Practices

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



Stated Objectives

- Enhance a **workplace culture** that is diverse, inclusive, and equitable to further LACERA's strategic objective to evolve from "Allocator to Best-in-Class Investor", enhance staff's education and leadership skills, and promote inclusivity
- Advance diversity, equity, and inclusion within the Investments Division's **recruitment and retention practices** by leveraging LACERA's role as a signatory to industry-recognized diversity frameworks
- Increase regularity and expand reach of Investments Division **internship opportunities**, aiming to enhance the familiarity of prospective careers in investments and public service



Accomplishments

- ✓ Implemented monthly all-staff in-person workplace culture day, increased cross-function team projects, and introduced rotational investment committee membership to foster collaboration and professional growth
- ✓ Became a signatory to the CFA Institute's DEI Code, displaying a commitment to the code's six core principles: Pipeline, Talent Acquisition, Promotion and Retention, Leadership, Influence, and Measurement
- ✓ Expanded Investments Division's reach of internship candidate pool and successfully hosted four interns building on prior years' experiences



Next Steps

- Establish a feedback mechanism to continuously improve retention and recruitment practices and workplace culture initiatives
- Continue to refine the mentorship program to support the professional growth of interns and new hires
- Pursue practical steps geared towards promoting positive and inclusive work culture

LACERA TIDE





Objective: Enhance a workplace culture that is diverse, inclusive, and equitable to further LACERA’s strategic objective to evolve from “Allocator to Best-in-Class Investor”, enhance staff’s education and leadership skills, and promote inclusivity

Fostering an Inclusive Culture through Multiple Mediums



Cultivate a mindset of “Allocator to Best-in-Class Investor”

Pursue multiple strategies across asset classes to optimize outcomes

- **Internal investment committees**
 - ✓ Distinct for their broad and inclusive membership across investment team
 - ✓ Every member has a voice
 - ✓ Permanent & rotating assignments (quarterly)¹
 - ✓ Open to all investments staff
- **Cross-functional team projects**
 - ✓ 80% of Board of Investments (“BOI”) meetings in 2024 include cross-functional team initiatives²



Support an inclusive culture

Contribute to career opportunities and cohesion

- **Open opportunities** to lead or participate in cross-functional team projects
- Foster mentorship and sponsorship relationships within the organization (e.g., **LACERA IDEA Initiative**)
- Introduction of an in-office monthly workplace **culture day** to advance division-wide projects and support workplace synergy



Leadership development for career progression, succession planning

Expose staff to new leadership opportunities and enhance succession planning prospects

- Track record of **talent development**
 - ✓ 2 internal promotions in the last year
 - ✓ 11 internal promotions over last 5 years
- **Rotation of meeting chair** for
 - ✓ Quarterly internal performance reviews
- **Engaging** external speakers to educate and promote diversity of perspectives
- Staff participation in Investments **senior leadership weekly planning meetings**

¹ For example, committees are comprised of staff members in the respective functional asset class (permanent) plus rotating members from other functional asset teams where assignments rotate quarterly.

² For example, TIDE report, internal investment committees report; fee analysis report; Risk, Analytics, and ESG RFP; Actuarial Consulting and Auditing Services RFP.

Recruitment and Retention



Internal
Practices

Objective: Advance diversity, equity, and inclusion within the Investments Division's recruitment and retention practices by leveraging LACERA's role as a signatory to industry-recognized diversity frameworks

Aspire to align with industry-leading DEI efforts has informed LACERA's own internal practices



Industry Best Practice Examples From ILPA's DIA Initiative and CFA's DEI Code¹

Pipeline

- Widen the applicant pool beyond traditional sources (e.g., include outreach to Historically Black Colleges and Universities, professional organizations, etc.)
- Partner with a range of organizations that are well-resourced and focus on diversity for greater impact

Talent Acquisition

- Enhance the hiring process by implementing anti-bias training, systematic outreach to alternative sources, and reducing systemic barriers
- Promote inclusive interview panels with multidimensional participation

Promotion and Retention

- Provide transparency for opportunities for promotion and encourage all internal candidates to apply
- Create step-up opportunities and stretch projects for staff to be given the opportunity to grow and demonstrate greater ability
- Conduct periodic compensation review and pay equity analysis

¹ Website links: <https://ilpa.org/industry-guidance/diversity-equity-inclusion/diversity-in-action-initiative/dia-framework/> and <https://rpc.cfainstitute.org/en/codes-and-standards/diversity-equity-inclusion-codes>

Internship Opportunities



Internal Practices

Objective: Increase regularity and expand reach of Investments Division internship opportunities, aiming to enhance the familiarity of prospective careers in investments and public service

10 Years Hosting Interns with Significant Growth in the Most Recent Years

Enhance candidates' knowledge of careers in investments and public service

- **Trained Interns About LACERA's Mission & Principles**
The team hosted discussion on Mission, IPS, Investment Beliefs, Corporate Governance & Stewardship Principles
- **Breadth of Projects Across all Functional Asset Classes¹**
Attend internal investment committees and meetings with managers, and assist with new investment underwriting

Expand Investments Division's reach of internship candidate pool

- **Maintained High-Water Mark of Number of Interns**
- **Increased Breadth of Schools²**

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Summer program inception	Hosted 2 graduate interns	Hired former graduate intern	Hired former graduate intern	Added Spring semester	Hired former intern	Added Fall semester	Hosted 2 undergrad interns	Established Girls Who Invest relationship	Hosted 4 undergrad interns
Established Toigo relationship				Hosted 2 graduate interns	Added virtual option	Established SEO-PREA relationship		Hosted 4 undergrad interns	
Hosted 2 graduate interns					Hosted 1 graduate intern	Hosted 3 interns (undergrad+grad)			

¹ Completed internship projects with the following teams: Real Estate, Global Equity, Private Equity, Portfolio Analytics, Real Assets, and Credit.

² Intern recruitment includes relationships with Toigo Foundation, SEO-PREA, and Girls Who Invest, expanding representation with new schools including Historically Black Colleges & Universities (HBCUs).

Pillar 2: Due Diligence



Due
Diligence

Due Diligence

Evaluate, influence, and monitor current and prospective external managers and vendors



Stated Objectives

- **Policies:** 100% of investment partners should have clear equal employment opportunity and anti-harassment policies
- **Transparency:** 100% of partner firms should report investment team and leadership demographics, as available
- **Contracting:** Incorporate DEI reporting requirements in investment contracts
- **Leading Governance Practices:** Encourage adoption of four practices
 - Board oversight
 - Clawback provision
 - Pay parity assessment
 - Portfolio integration
- Develop separate **DEI Assessment** integrated into Manager Scorecard



Accomplishments

- ✓ Strong progress towards stated goals
 - ✓ 100% of mandates undergo due diligence of talent management inclusive of DEI policies and track record
 - ✓ Almost 100% of investment partners now report equal employment opportunity policies and demographics
- ✓ LACERA has nearly doubled the number of reporting mandates by including all sub-advised emerging managers
- ✓ Due diligence helps inform an integrated assessment of each firm's talent management practices
- ✓ LACERA has gained multi-year insights and reporting to facilitate manager benchmarking and inform due diligence



Next Steps

- Continue using insights from LACERA's manager due diligence and monitoring to help inform our assessment of effective practices and peer benchmarking
- Encourage more managers to adopt key effective practices, including letting managers know when they lag peers
- Continue supporting credible industry-based DEI reporting templates that help guide more firms to provide due diligence information, particularly outside of the US (e.g., AIMA, ILPA, and CFA Institute DEI Code¹)

¹ AIMA is the Association of Alternative Investment Management Association. ILPA is the Institutional Limited Partners Association. CFA Institute is the Chartered Financial Analysts Institute.

5-Part DEI Due Diligence



LACERA evaluates all prospective and current investment partners on DEI policies and practices

- **Pre-Investment:** 100% of prospective mandates complete upfront DEI due diligence and assessment, which is reviewed by Investment Committees
- **Post-Investment:** LACERA monitors every contracted manager on DEI policies and practices
 - ✓ Annual DEI update DDQ for every investment partner
 - ✓ Organizational changes and DEI reviewed in routine manager dialogue (e.g., LPACs, quarterly portfolio review monitoring calls, focused DEI discussions)
 - ✓ Ongoing DEI assessment of policies, practices, and track record is reflected in Manager Scorecard, provided in the Board's quarterly performance review book

LACERA's 5-Part DEI Diligence and Sample Questions

1. Clear DEI Policies

- Does the firm have clear equal employment opportunity, anti-discrimination, and anti-harassment policies?
- How wide is policy coverage across global markets and DEI attributes? (e.g., LGBTQ, disability, religion, race, gender)

2. Board Oversight

- Does the firm's board (or executive committee in private markets) oversee policies, compliance, key metrics?

3. Track Record

- Available DEI demographics for the investment and leadership teams? (respecting applicable laws and privacy)
- Any legal and regulatory actions and history of claims related to discrimination or harassment?

4. Practices to Promote Adherence

- Does the firm conduct pay parity analyses and have clawback provisions in place in the event of misconduct?
- How does the firm cultivate an inclusive and equitable workplace?

5. Portfolio Integration

- Does the firm consider any relevant DEI-related practices in the portfolio that they manage for LACERA? (e.g., non-discrimination in leasing at real estate properties, assisting portfolio firms to establish EEO policies in private equity)



Goals for Robust Policies and Transparency Nearly Met

Almost all managers now report equal employment opportunity and anti-harassment policies in place²

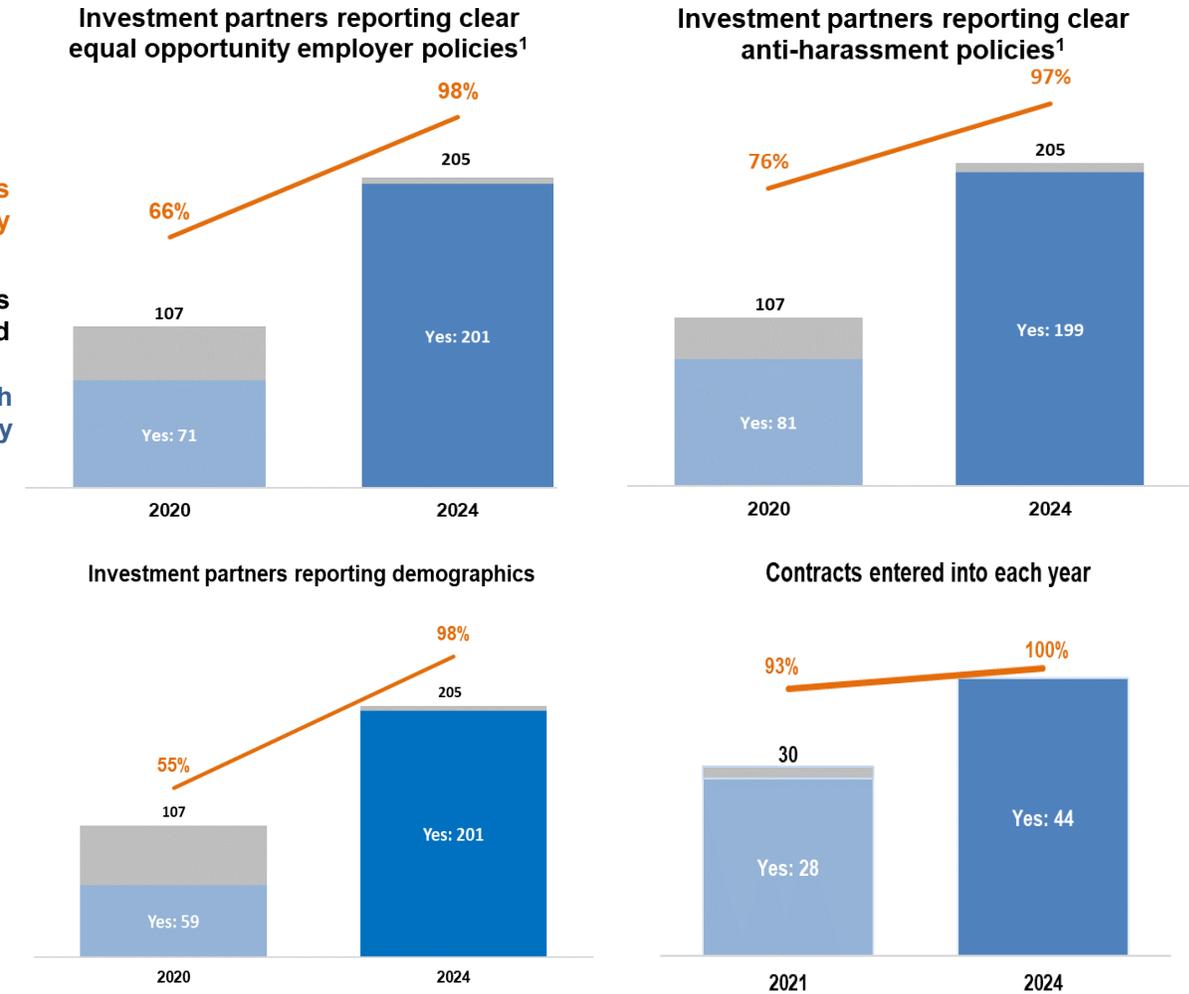
- Increase driven by firms adopting policies and more attentive, accurate manager reporting
- Increase in firms assessed due primarily to LACERA expanding reporting from sub-advised emerging managers

High Manager Responsiveness

- Almost all managers now report investment team demographics
- 100% of new contracts include terms to facilitate DEI reporting

Demographic reporting remains limited in scope

- EEO-1 reports facilitate gender and race disclosures at US-based firms
- Reporting from non-US based firms is often limited to gender
- More voluntary reporting of attributes (e.g., LGBTQ, disability)
- LACERA supports industry reporting templates that enhance our due diligence (e.g., CFA Institute DEI Code and ILPA template)



¹ Includes US and non-U.S based investment managers and all asset class subadvised emerging managers; excludes co-investments, liquidating mandates, secondaries, and terminated firms.

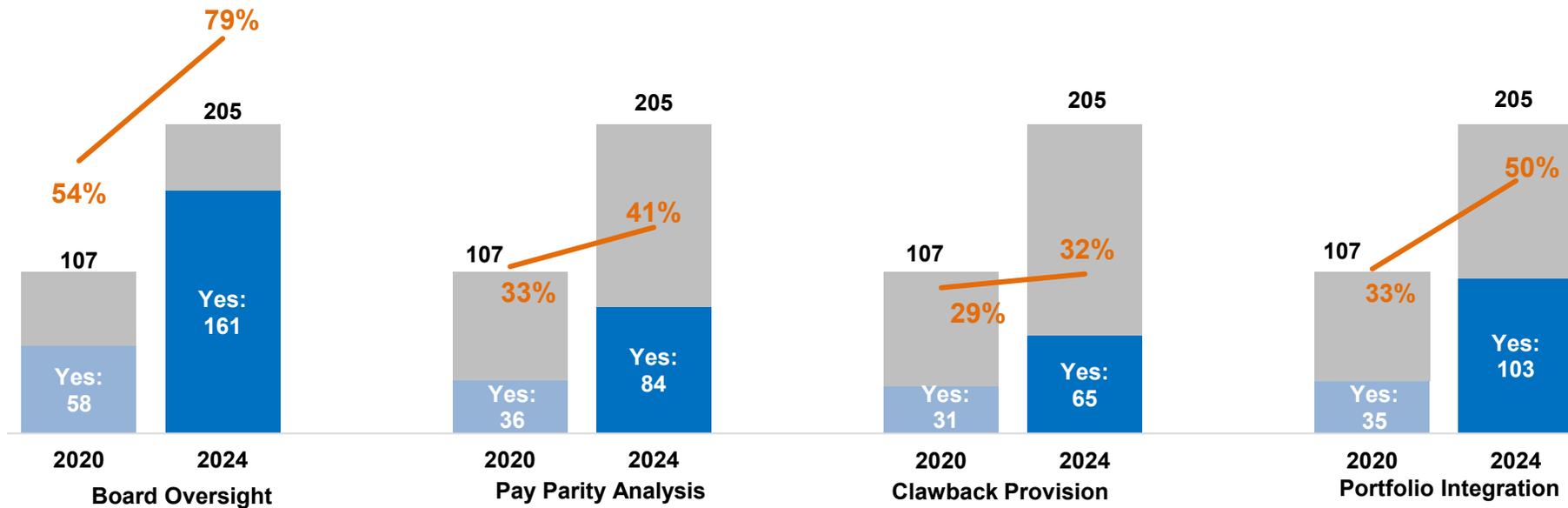
² Four firms did not report having EEO policies in FY2024 including one legacy private equity relationship and three legacy private equity emerging managers in a program advised by JP Morgan. Six firms did not report having an anti-harassment policy in FY2024 including two legacy private equity relationships and four legacy private equity emerging managers in program advised by JP Morgan. LACERA has not committed further capital to these firms.



Increased Adoption of Several Encouraged DEI Practices

Objective: Promote adoption of four practices encouraging adherence to firms' DEI commitments

Investment partners with four specific leading DEI practices¹



- General upward tick in the percentage of firms that have board oversight of talent management metrics and compliance, including DEI practices
- Robustness and formality of reported practices vary

¹ Includes US and non-US based investment managers and all emerging managers managed by asset class advisers; excludes co-investments, liquidating mandates, secondaries, terminated firms.



Select Themes of Progress from Investment Partners



Engagement with our investment partners can yield results

LACERA's dialogue and encouragement with managers has seen managers adopt new policies, report increased inclusion in new hires and promotions, and develop new efforts to facilitate career opportunities (e.g., new mentor programs)

Increased focus on promotion and advancement

More firms report efforts to address inclusion in senior positions and investment committees after initial focus on entry level

Reports of progress on “equity and inclusion” but room for improved focus

While a few firms have reported expanding carried interest participation and appointing new equity partners, carried interest participation and investment committee inclusion remain opportunities for improvement

Synergies between LACERA's bottom-up and top-down approaches

LACERA's efforts in the TIDE Industry Advocacy pillar to identify and disseminate effective practices and facilitate meaningful reporting of asset managers' talent practices enhance LACERA's due diligence of individual managers

Conversely, our insights from investment partners help inform our industry advocacy efforts

More manager information and reporting

More firms use human capital dashboards to monitor key metrics and enhance business performance and management decisions (e.g., identify correlations among employee engagement sentiment, attrition, and available demographic information)

Investor focus and DEI due diligence templates are expanding to more geographic markets and help prepare firms to be responsive to LACERA's diligence of firm's talent management practices.

Pillar 3: Active Engagement at Portfolio Companies



Active
Ownership



Stated Objectives

- Vote proxies to advance effective and inclusive talent management at portfolio companies
- Advance focused engagement initiative on corporate board quality at portfolio companies, inclusive of (and not limited to) diverse gender, race, and LGBTQ community
- Increase attentiveness to inclusive talent management practices at portfolio companies in private asset classes



Accomplishments

- ✓ Proxy voting and investor focus driving increased DEI disclosures and best practices
- ✓ About 450 directors of diverse backgrounds appointed at nearly 350 engaged companies in past 6 years
- ✓ Incorporated further diligence of private equity partners on how they comprise portfolio company boards
- ✓ Reviewed all real assets managers on DEI practices within responsible contracting practices, expanding LACERA's Responsible Contractor Policy to all real estate and real assets funds



Next Steps

- Continue voting proxies for inclusive talent management policies and practices
- Continue board engagement project with California partner funds, including 52 more companies this year
- Integrate takeaways from private equity portfolio boards DEI review into fund underwriting and monitoring

**Active
Ownership**

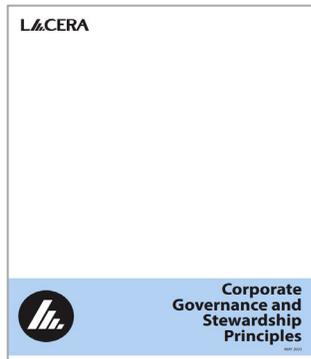
Encourage sound
DEI practices at
**portfolio
companies** by
voting proxies and
governance
engagements

Proxy Voting at Public Market Portfolio Holdings



Active
Ownership

Objective: Promote portfolio company board quality and effective talent management by encouraging inclusive board recruitment and workplace practices at portfolio companies through our proxy voting, as outlined in LACERA's Corporate Governance and Stewardship Principles



- LACERA's Corporate Governance and Stewardship Principles encourage inclusive talent management and board recruitment at portfolio companies
- LACERA voted at over 7,000 portfolio companies across 62 global markets in FY2024¹
- LACERA votes proxies:
 - Supporting proposals asking companies to adopt robust equal employment opportunity policies and practices
 - Encouraging disclosure of EEO-1 workforce demographic reports
 - Opposing the re-election of certain board nominees at companies where board diversity lags

Notable Market Updates

Proxy voting and investor focus may influence market behavior, as illustrated through the trends below:

- 97% of large publicly listed companies now report workforce demographics, up from 93% in 2023²
- 32% of board directors are women at large US public firms, up from 23% in 2018³
- 32% of board directors at large US public firms are racially or ethnically diverse, up from 25% in 2018³

¹ See Board of Investments Corporate Governance Committee for the October 2024 meeting for a full report on LACERA's proxy voting for fiscal year 2024.

² Teneo. October 1, 2024. The State of Sustainability in 2024. Available at: www.teneo.com/insights/articles/the-state-of-sustainability-in-2024-dei-will-survive.

³ The Conference Board. US Corporate Board Diversity. November 9, 2023.

Systemic Engagement Initiative at Portfolio Holdings



Active
Ownership

Corporate Board Quality and Diversity Engagement Initiative

447 directors of diverse backgrounds appointed at 
343 engaged companies over
6 years



Objective: Encourage board quality by casting a wide net for director talent, inclusive of diverse backgrounds (e.g., gender, race/ethnicity, LGBTQ)

Initiative: 6th year of 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
- Initiative requests dialogue with corporate directors to encourage robust board self-evaluation to identify requisite skills needed to oversee business strategy and then cast a wide net for director talent with matching skillsets, inclusive of diverse backgrounds
- Range of diversity represented among appointed directors, based on voluntary, self-identified disclosures in corporate reports¹
- Initiative continues with 41 additional firms engaged in FY2025, as reported to October 2024 Corporate Governance Committee

¹ Of the 447 directors appointed, 69% have been women of any ethnic or racial background and 31% have been men of color, as disclosed by the firms in corporate filings. Of the female directors appointed, company disclosures indicate 15% are Asian American, 16% Black or African American, 7% Latina or Hispanic, 60% White, and 2% firms did not disclose the race or ethnicity of the female director. Of the men of color, 36% were disclosed as Asian American, 45% Black or African American, 12% Latino or Hispanic, and 7% of appointees were disclosed as racially diverse without specifying the race or ethnicity. 15 companies have disclosed LGBTQ representation on their boards.

Portfolio Company Focus in Private Markets



Active
Ownership

Objective: Increase attentiveness to inclusive talent management practices at portfolio companies in private market asset classes

LACERA pursues multiple, complementary strategies to promote equal opportunity and inclusive talent management at portfolio companies in our private markets investments

Portfolio Company Board Recruitment



- LACERA's due diligence of private equity funds includes
 - How do firms identify requisite skills for portfolio boards
 - How do they cast a wide net to match those skillsets
- Expanded diligence after focused discussions on board recruitment strategies with 11 strategic private equity firms in 2023, finding
 - Increased focus on adding outside directors
 - Increased focus on diverse backgrounds

Non-Discrimination in Real Estate and Real Assets Contracting



- LACERA's Responsible Contractor Policy calls for equal opportunity in real estate and real asset investments building contracting
- All managers are diligenced on supply chain policies and practices
- 2/3rds of real estate and real asset managers have similar policies
- 4 firms adopted new policies in part due to LACERA encouragement



Portfolio Company Human Capital Metrics Data

- New initiative guides private market asset managers to portfolio company data¹
- 450 member firms representing \$38 trillion covering about 6,200 portfolio companies
- Half of LACERA's top 10 private equity partners are involved
- LACERA's new analytics platform has capacity to track data as it becomes available

¹More information available at www.esgdc.org.

Pillar 4: Capital Formation

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



Stated Objectives

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



Accomplishments

- ✓ Because we have 100% responsiveness from managers, we have more information on firms managing our capital
- ✓ Increased proportion of assets managed by firms with more reported diversity
- ✓ Widened emerging manager opportunities by 2.7x and deployment continues
 - ✓ Expanded reporting from sub-advised emerging managers
- ✓ Newopportunities@lacera.com portal: Over 200 investment manager inquiries reviewed by investment team



Next Steps

- Continue to analyze trend lines and identify opportunities for diverse-owned firms
- Enhance insights on ownership demographics where data is available
- Work with emerging managers to improve diversity and foster equitable and inclusive policies
- Continuously widen sourcing funnel for managers who embrace diverse teams to optimize outcomes
- Complete real assets emerging manager search

Investment Partners Demographic Attributes

Objective: Measure the reach of LACERA’s capital commitments by demographics of investment partners’ investment and leadership teams¹



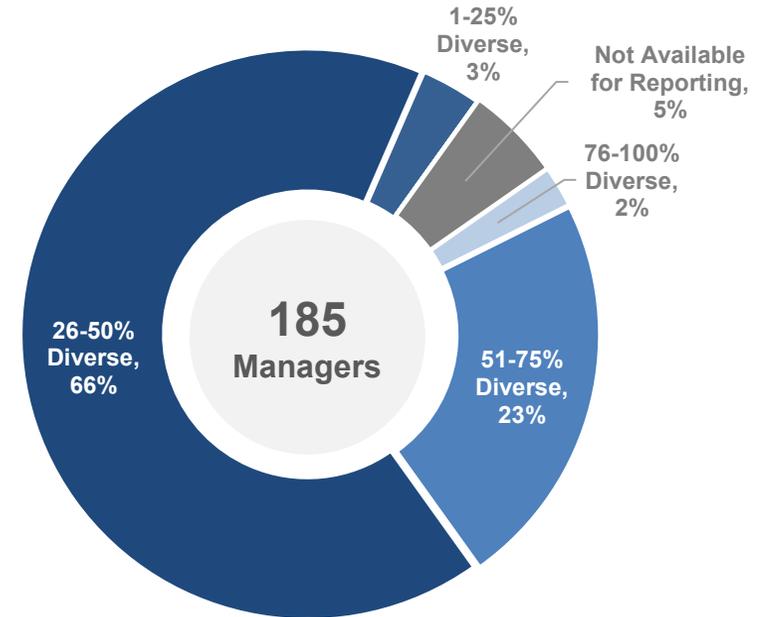
1 out of 5 (21%) of investment partners had investment and leadership teams with **over 50%** representation of women and/or people of color, up from 18% in 2023

Breakdown of LACERA Investment Partners by Percentage of Investment and Leadership Teams Comprised of Women and/or People of Color



1 out of 4 dollars (or 25%) of LACERA’s assets are managed by US-based firms (**\$17 billion**) with **over 50%** representation of women and/or people of color on investment and leadership teams

Breakdown of LACERA Assets Managed by Percentage of Investment and Leadership Teams Comprised of Women and/or People of Color

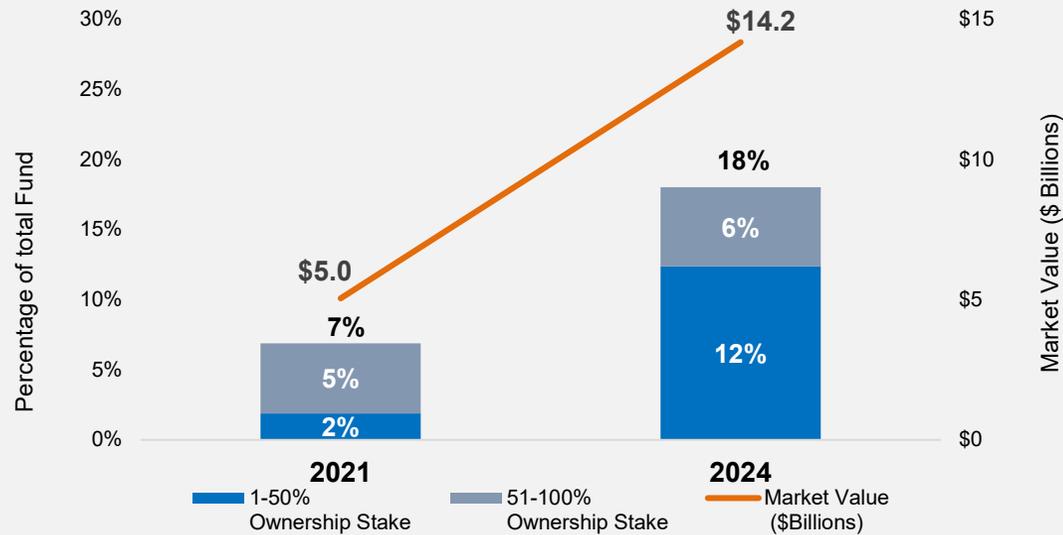


¹ This slide focuses on US-based firms, which report both gender and race/ethnicity data unlike non-US-based firms that typically report only gender. US-based firms represent 86% of LACERA’s assets.

Investment Partners Firm Ownership and Fees

Objective: Track demographics and fee distribution of investment partners' ownership across mandates to monitor inclusion of LACERA's capital commitments

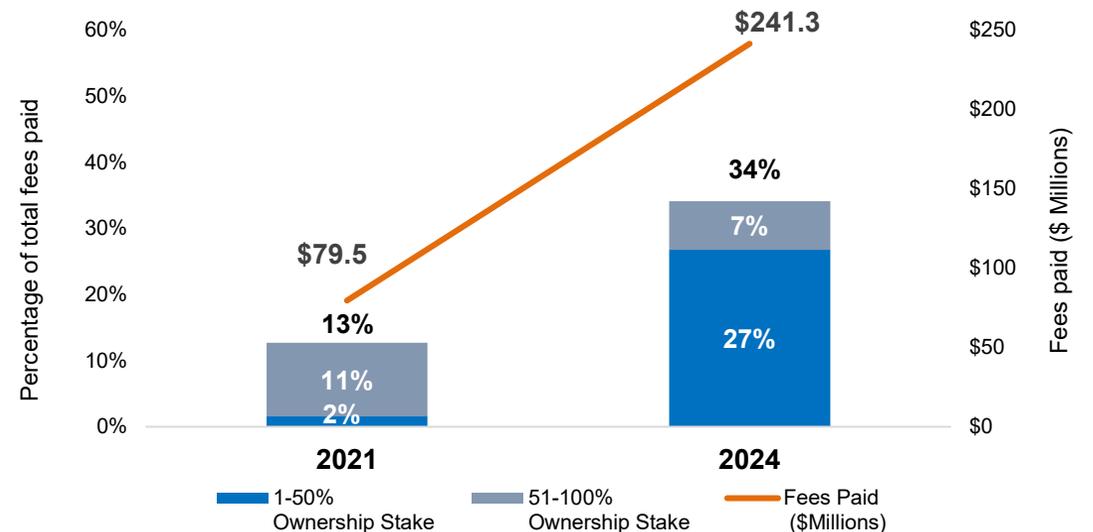
Percentage of LACERA Assets Managed by US Firms with Diverse Ownership¹



- LACERA's assets managed by US-based firms with a portion of firm ownership held by women and people of color have continued to increase driven in part by more firms reporting firm ownership demographics²
- Firms with diverse ownership have kept pace with total Fund gains over the last few years despite the strong rally in equity markets

- LACERA's total fees paid to US-based firms with diverse ownership have seen a similar increase
- Firms with diverse ownership receive a larger share of fees compared to their allocation in the total Fund. For instance, although these firms account for 18.0% of the total Fund assets, they receive 34.1% of the fees

Percentage of LACERA's Total Manager Fees Paid to US Firms with Diverse Ownership¹



¹ Firm ownership profiles assessed for 80 US-based firms where ownership data was disclosed (includes emerging managers).

² Diverse ownership indicates firms that report a portion of equity ownership by women and/or people of color based on EEO-1 classifications.

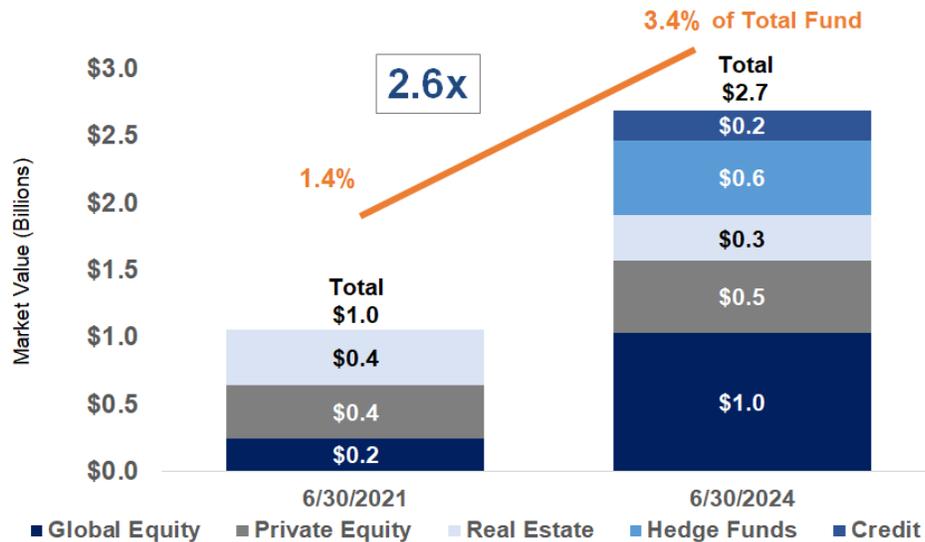
Broadening Inclusion: Emerging Manager Programs

Objective: Evaluate newer firms that may generate attractive returns, based on smaller asset bases and nimble investment approaches

Assets managed by **Emerging Managers**¹
nearly **tripled** since 2021

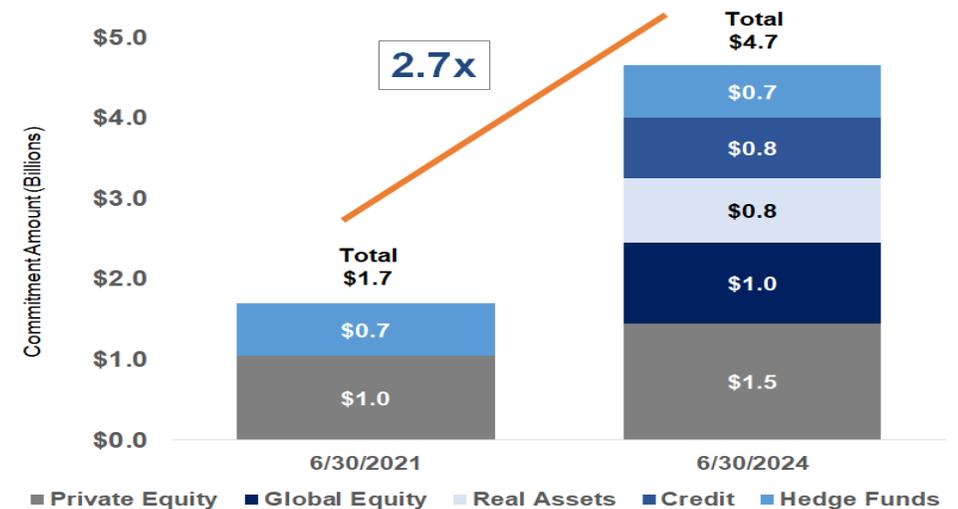
Opportunities for Emerging Managers¹
have also nearly **tripled** since 2021

Emerging Manager Market Values



- LACERA deployed **\$1.3 billion** to new emerging managers in fiscal year 2024

Emerging Manager Target Allocations



- LACERA's assets managed by emerging managers are anticipated to continue to grow as LACERA and its emerging manager advisers commit to mandates under the above target allocations, including a new program in real assets

¹ LACERA's Emerging Manager Policy defines emerging managers as independent firms that have less substantial assets under management and may be composed of diverse-owned and non-diverse-owned firms.

Pillar 5: Industry Advocacy

Industry Advocacy

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



Stated Objectives

- Collaborate with peers to identify and disseminate effective practices and increase reporting reliability
- Lead, coordinate and convene events on diversity, equity and inclusion with increasing reach
- Expand industry influence through active engagement initiatives
- Become a recognized leader in advocating for DEI in investment management industry



Accomplishments

- ✓ Engaged LACERA consultants for in-depth dialogue on effective DEI diligence, culminating in department-wide conversation to exchange best practices
- ✓ As a new signatory, completed inaugural questionnaire to CFA DEI Code annual reporting framework
- ✓ Co-created a series of twelve Southern California investors' roundtable discussions and led three virtual DEI conferences in collaboration with the CFA Society of Los Angeles
- ✓ Continued collaboration and outreach with affinity groups, industry organizations and business partners to increase visibility of LACERA's advocacy efforts
- ✓ Trustees and staff participated at over 150 industry events since launch of LACERA TIDE



Next Steps

- Seek to strengthen influence with trade organizations, consultants and other business partners to improve quality of DEI data and disclosures and to disseminate best practices
- Outreach to organizations to broaden advocacy of LACERA TIDE
- Support efforts to develop effective DEI disclosures in non-US markets, such as CFA DEI Code, ILPA Diversity in Action, and SASB disclosure frameworks
- Continue to support and expand strategies for efficient data collection, reporting, and benchmarking across the investment management industry

Identify and Disseminate Effective Practices



Objective: Collaborate with peers to identify and disseminate effective practices

Update: Continue to make strides through various avenues to promote increased availability, transparency and quality of DEI data

Active Engagement with Business Partners



- LACERA engaged its consultants over four months to identify and disseminate effective manager DEI due diligence practices to increase risk-adjusted returns
- The team conducted in-depth conversations with consultants, facilitating gap analyses on practices and reviewing due diligence questionnaires against LACERA's DEI questionnaire, prompting an in-person discussion
- Findings culminated in a department-wide, in-person conversation with consultant representatives, sharing best practices and incorporating feedback from LACERA

Active Engagement with Industry



Prior chair of CII; continued support for DEI programming and advocacy for DEI reporting at regulatory and standard setting agencies



Signatory to DEI Code, advancing DEI practices globally, including new reporting tools in Europe and Asia with local market engagement



Promoting SASB's disclosure framework increases corporate-level transparency in DEI efforts¹

¹SASB standards are now part of the International Financial Reporting Standards International Sustainability Standards Board.

Organize Events with Increasing Reach



Objective: Lead, coordinate and convene events on diversity, equity, and inclusion with increasing reach

Update: Since TIDE’s inception, LACERA has partnered with CFA Society of Los Angeles to host and moderate twelve roundtables and three annual conferences to discuss and share effective practices on diversity, equity and inclusion among the finance industry



DEI Roundtables		Annual DEI Conference
12 roundtables since TIDE’s inception (3 per year)	Frequency	3 conferences since TIDE’s inception (once per year)
Virtual and in-person participation by asset owners, investment managers, and investment consultants across Southern California	Platform	Deliberately virtual to allow for broad participation across geographies and time zones
10-40 participants per roundtable	Participation	100+ participants per conference
<p>Conversations are intimate and genuine to delve into the benefits of increased DEI representation as well as strategies to overcome potential obstacles</p> <p>Prior topics include:</p> <ul style="list-style-type: none"> ➤ Equitable and inclusive human capital management practices ➤ Strategies to be an effective DEI leader ➤ Implementation and measurement of key performance indicators to effectuate change 	Content	<p>Broader platform to share and expand on lessons and strategies gleaned from prior roundtables</p> <p>Feature fireside chats between LACERA Chief Investment Officer and industry leaders, such as:</p> <ul style="list-style-type: none"> ➤ Jose Feliciano, Clearlake Capital ➤ Katie Koch, TCW Group ➤ Mary Pugh, Pugh Capital Management <p>Additional guest speakers on DEI progress and challenges within industry</p>

Expand Industry Influence

Objective: Expand industry influence through active engagement initiatives

Update: Further strengthen existing relationships with industry organizations through active engagement, representation on steering committees and collaborative feedback and input on industry practices on diligence and reporting



- Member of the 12-person Signatory Advisory Committee for ILPA's Diversity in Action Initiative, which brings together limited partners and general partners to advance DEI in the private equity industry¹
 - As a member on the committee, continuously support the initiative through feedback and input on the initiative's thought leadership, content, resources and goals
 - Continue to collaborate with ILPA on due diligence questionnaire templates, including metrics and KPIs, to further advance effective due diligence practices within the industry
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- Emerging manager conversations through National Association of Securities Professionals (NASP), New America Alliance (NAA) and National Association of Investment Companies (NAIC)
 - Provided emerging managers with overview of LACERA's portfolio and LACERA TIDE initiative through NAA's virtual roadshow
 - Moderator and panel speaker for NASP SoCal Annual Conference

¹ More information on ILPA's Diversity in Action Initiative can be found at <https://ilpa.org/industry-guidance/diversity-equity-inclusion/diversity-in-action-initiative/>.

Expand Industry Influence



Objective: Expand industry influence through active engagement initiatives

Update: Trustees and staff participated at over 150 events since launch of LACERA TIDE

Sample Events and Partnerships

AAAIM Conference
 Accelerate Investors West Coast Forum
 Bloomberg Women's Network
 CALAPRS Trustees Roundtable
 Catalyst: California's Diverse Investment Manager Forum
 Council of Institutional Investors
 Girls Who Invest
 Hispanic Heritage Foundation Investors Forum
 ILPA Diversity in Action Roundtable
 Investment Diversity Advisory Council
 LACERA and CFALA DEI Roundtables and Conference
 LAVCA - The Association for Private Investments in LatAm
 NAIC Diverse Manager Roadshow
 NASP SoCal
 Nossaman DEI Roundtable
 100 Women in Finance
 PREA - Pension Real Estate Association
 Prequin Women in Alternatives
 RFK Compass Winter Investors Conference
 Southern California Institutional Forum
 Women In Institutional Management
 Women Investment Leaders Summit

Select Highlights

Over the past year, LACERA, its Trustees, and staff have been acknowledged by various industry groups for their leadership and contributions to diversity, equity, and inclusion



100 Women in Finance Americas Industry Leadership Award



Recognized leadership by Diversity, Equity, & Inclusive Capitalism (DEIC) in promoting DEI across the asset management sector



LACERA provided mentors and keynote speaker for the Summer Intensive Program



Featured speaker at the annual Global Real Estate DEI survey



Robert Toigo Foundation's Next 35 recognition



Observations



Pursuing a practical, intentional, total Fund approach to inclusive workplace cultures through the five LACERA TIDE pillars remains focused on strengthening LACERA's ability to fulfill our mission in line with our fiduciary duties

1. With deliberate focus, LACERA is seeing progress and has met some objectives

- Upward trendlines in investment partners reporting policies, demographics, and progress
- Expanded emerging manager programs and allocations
- Successful portfolio company engagements

2. LACERA's industry collaboration has enhanced our due diligence and progress

- Credible initiatives (e.g., CFA Institute DEI Code and ILPA Diversity in Action) work with practitioners to develop practical tools and reporting that are responsive to local market cultural, regulatory, legal considerations and disseminate effective practices

3. Inclusion and equity beyond representation emerging but elusive

- Some investment partners report progress of inclusion at mix of junior and senior levels
- Inclusion in investment committees and economics (e.g., carried interest) less apparent

4. Integrated efforts appear most successful

- Industry is still a mix of authentic progress, window dressing, and now DEI hushing
- Durability and progress when efforts are organic, identify challenges, link inclusion to business success, and have visible, constructive leadership by top management

5. LACERA'S DEI focus enhances insight for investment decisions

- Due diligence helps inform a multi-dimensional view of manager quality
- LACERA's consistent, multi-year strategy enables nuanced view of industry state-of-play and benchmarking of practices at investment partners