



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

Board of Investments Meeting
December 10, 2025

Discussion Outline



1. LACERA TIDE Background and Objectives of Review
2. Review of Progress Across Initiative
3. Observations



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



- The investment beliefs that frame LACERA’s [Investment Policy Statement](#) (IPS) recognize that “people matter;” In other words, talent management is part of how LACERA generates and safeguards investment performance¹
- LACERA believes organizations comprised of a diverse mix of backgrounds and managed in an inclusive and equitable manner can mitigate risks, capture upside opportunities, and optimize outcomes¹
- 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, and national origin¹
- The Investment Policy Statement affirms LACERA evaluates prospective and current investment managers on their policies, practices, and track record of equal employment opportunity and cultivating an inclusive workplace¹

2025 Strategic Framework and Initiatives:
Towards Best-In-Class Investor

Board of Investments Meeting
January 8, 2025

LACERA TIDE is part of LACERA’s Strategic Initiatives and Work Plan, as approved by the Board,² as well as a reflection of the agency’s core value of inclusivity

¹ Investment Policy Statement. Available at www.lacera.gov.

² 2025 Strategic Framework and Initiatives: Towards Best-In-Class Investor. Board of Investments Meeting. January 8, 2025.

Compelled by Mission and Fiduciary Duties



History

- Consolidated longstanding strategies in 2020 under the name “Towards Inclusion Diversity and Equity” (LACERA TIDE)
- Ratified by the Board
- Annual Board update reports provided as part of ratification

Objective

Enhance outcomes through comprehensive efforts across LACERA’s investment program that encourage constructive, inclusive, and equitable talent management at external investment managers, the industry, and internally¹

Investment Risks and Opportunities

LACERA TIDE driven by:

Performance

Inclusive teams with a diverse mix of backgrounds generate better outcomes

Innovation

Diversity of thought provides informed insights to guide decisions

Talent

Broader recruitment, retention, and engagement of employees

Risk Mitigation

Avoid risks of “groupthink”

Compliance

Legal, regulatory risks and morale impact when discrimination and harassment occur

Reputation

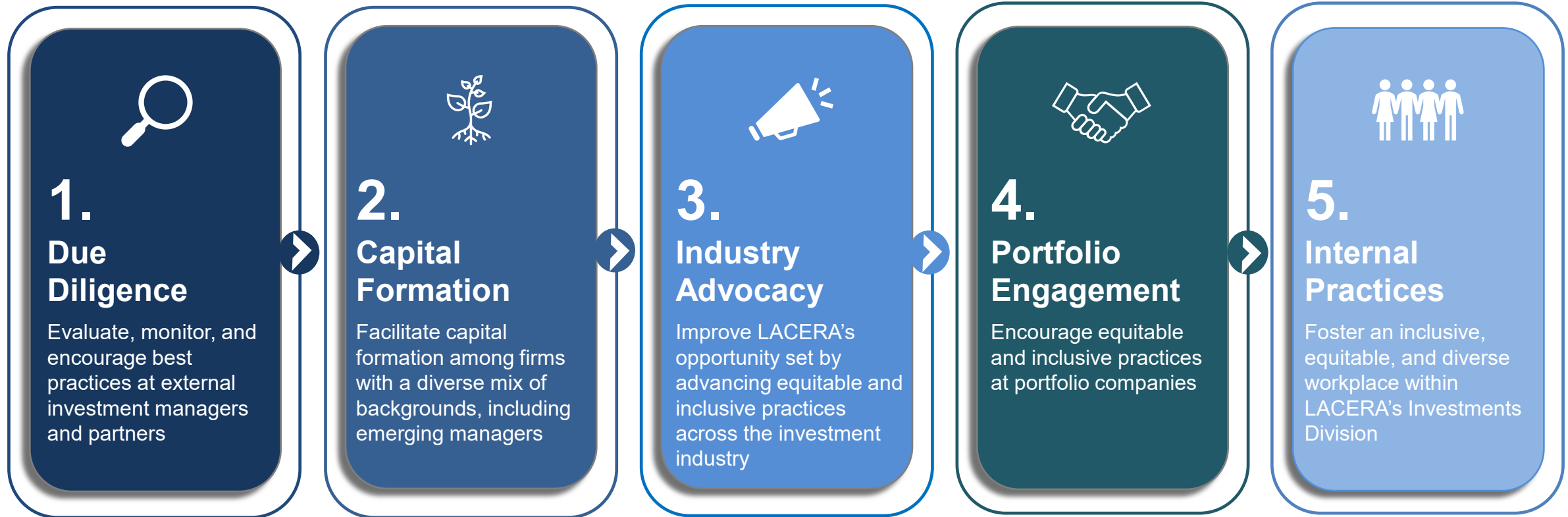
Inclusion enhances employee, client, stakeholder perceptions

Efficiency

Wasted resources when firms react rather than proactively cultivate an inclusive culture

¹ See Board-ratified objective on slide 11 of the 2025 Strategic Framework and Initiatives: Towards Best-In-Class Investor. Board of Investments Meeting. January 8, 2025.

LACERA TIDE Consists of Five Pillars



- Comprehensive, synergistic strategies to advance mission and implement Board-approved policies
- Iterative process of continuous improvement driven by the full investment team
- Annual review provides insights on progress against stated objectives and opportunities to enhance effectiveness



Review of Progress Across Five Pillars

1: Due Diligence Pillar



Objective

Evaluate, monitor, and encourage best practices at current and prospective external investment managers on their policies, practices, and track record of accessing and managing talent of diverse backgrounds in an equitable and inclusive manner

Status and Next Steps

100%

- ✓ All investment firms undergo due diligence both upfront and ongoing
- ✓ Assessments inform internal investment committee deliberations
- ✓ Diligence reflected in manager scorecard “organizational strength” pillar

LACERA’s 5-Part Diligence and Sample Questions for Current and Prospective Mandates

1. Policies

- Does the firm have equal employment opportunity and anti-harassment policies?
- Does the policy cover all global offices and attributes? (e.g., gender, LGBTQ, race, disability)

2. Oversight

- Does the firm’s board oversee policies, compliance, key metrics?

3. Track Record

- Does the firm report investment and leadership team demographics (as available)?
- What is the history of legal and regulatory claims?

4. Practices

- How does the firm cultivate an inclusive workplace?
- Does the firm assess pay parity or have misconduct-triggered clawback provisions?

5. Portfolio

- Does the firm consider DEI in their portfolio management? (e.g., non-discrimination in real estate leasing, assisting portfolio firms to establish EEO policies in private equity)

Policy Commitments and Responsiveness



Objectives

Achieve 100%
of investment managers with:

Contractual Provisions

100%

of investment agreements signed in 2025 have side letters to facilitate ongoing diligence, consistent with 2024

Policies Covering Equal Opportunity and Anti-Harassment

99%

of firms managing LACERA's capital have policies¹
4 firms without policies in 2024 reduced to 2 in 2025, as legacy firms unwind²

Demographic Reporting

99%

of firms report demographics of investment and leadership teams, as available^{1,3}
four non-responding firms in 2024 reduced to two²

¹Includes 215 firms (U.S. and non-U.S.) managing LACERA assets as of June 30, 2025. Excludes co-investments, liquidating mandates, secondaries, terminated firms.

²Union Square Ventures and Excellere did not report maintaining equal employment opportunity policies or available demographics.

³U.S. firms generally provide EEO-1 gender and race information, while non-U.S. firms provide gender. Majority of the 215 firms indicate employees may voluntarily self-report additional attributes; e.g., military status, LGBTQ, disability.

Increased Adoption of Several Key Practices

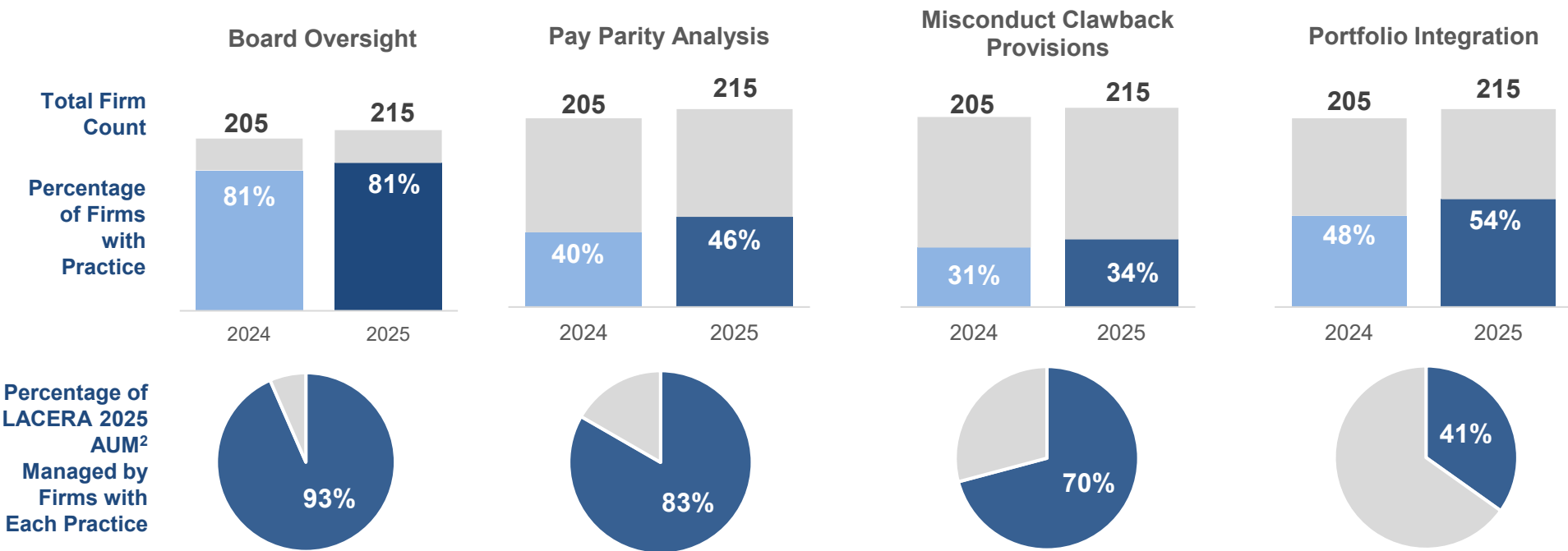
Objective

Promote and monitor key practices to encourage inclusive talent management

- ✓ Board oversight
- ✓ Pay parity analysis
- ✓ Misconduct-triggered clawback provisions
- ✓ Considering diversity and inclusion in portfolio management

Status and Updates

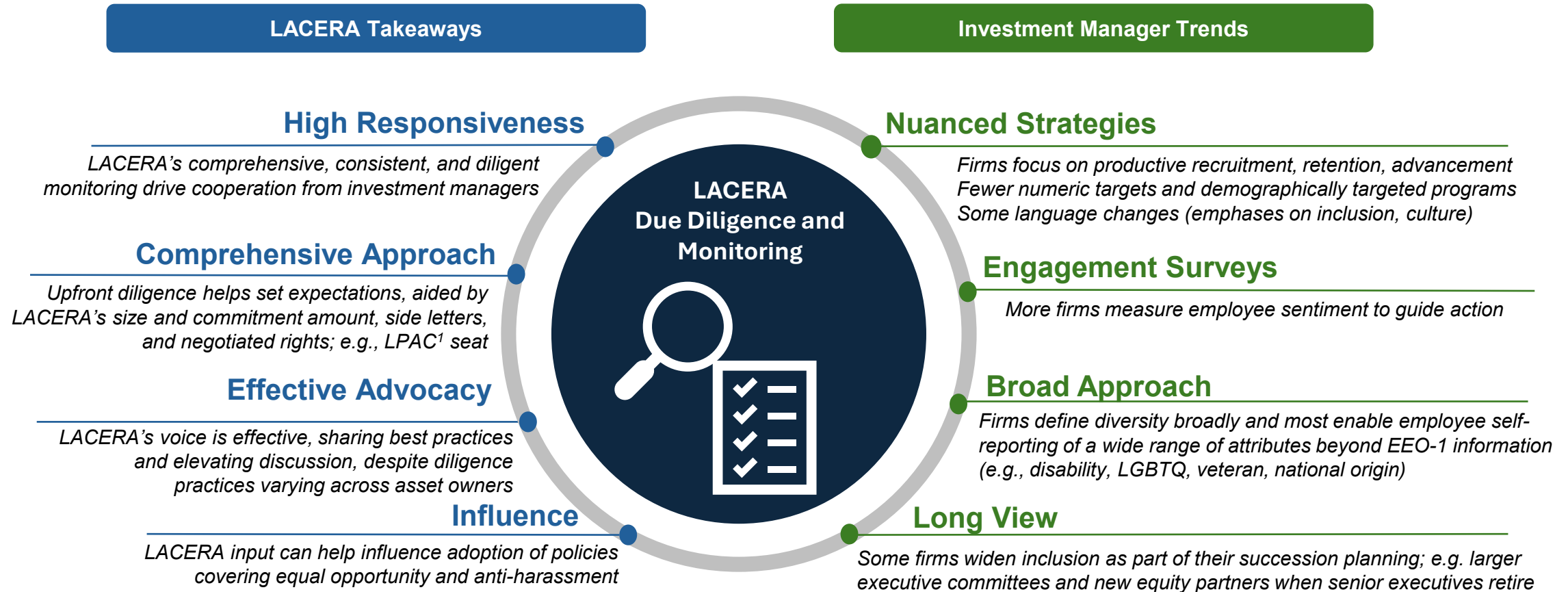
- Stable or upward trends in firms¹ having key practices that encourage inclusive talent management
- Emerging managers are less likely to have these practices, but also demonstrate upward adoption
- Greater share of LACERA’s assets are managed at firms with these four practices



¹Includes 215 firms (U.S. and non-U.S.) managing LACERA capital as of June 30, 2025. Based on self-reported information from firms. Excludes co-investments, liquidating mandates, secondaries, terminated firms.

²AUM is “assets under management.”

Themes from LACERA's Due Diligence and Monitoring



¹LPAC is "Limited Partner Advisory Committee."

2. Capital Formation: Partner Demographics

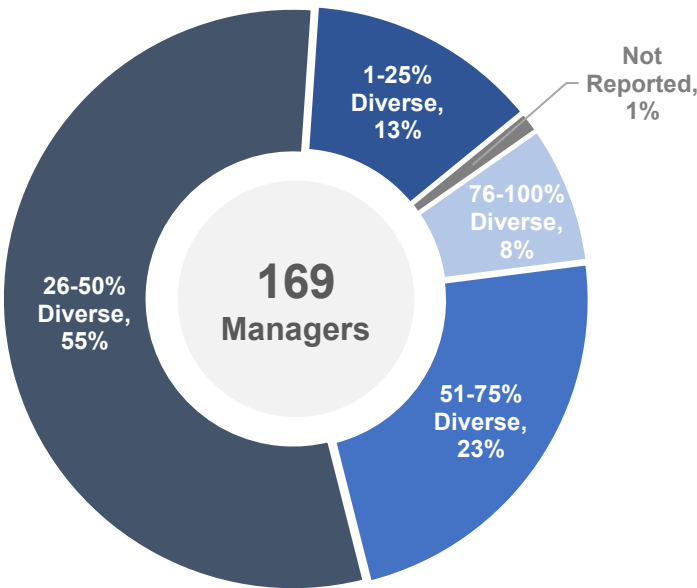
Objective

Facilitate capital formation, including monitoring the reach of LACERA’s capital commitments by demographics of investment partners’ investment and leadership teams, from which talent may form new firms¹

Status and Updates

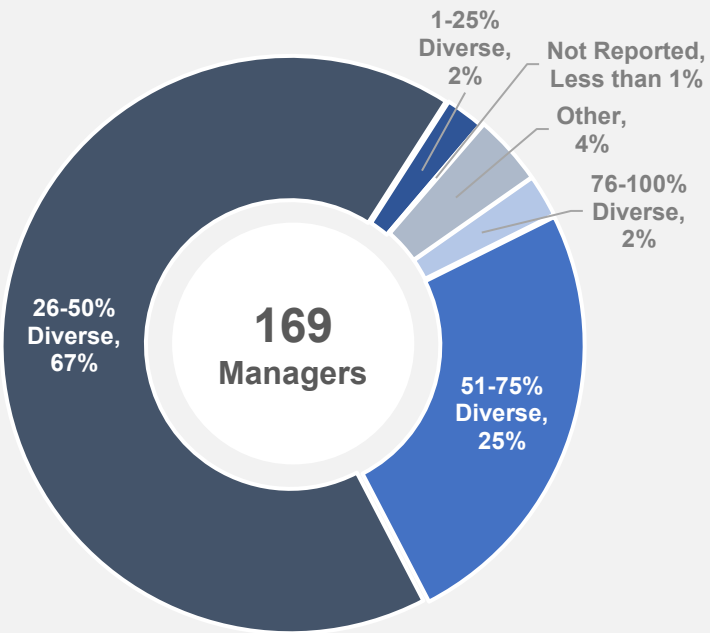
3 out of 10 (or 31%) of investment partners had investment and leadership teams with **over 50%** representation of women and/or people of color, up from 24% in 2024

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



About a quarter (or 27%) of LACERA’s assets are managed by US-based firms (**\$20 billion**) with **over 50%** women and/or people of color on investment and leadership teams, slightly up from 25% in 2024

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



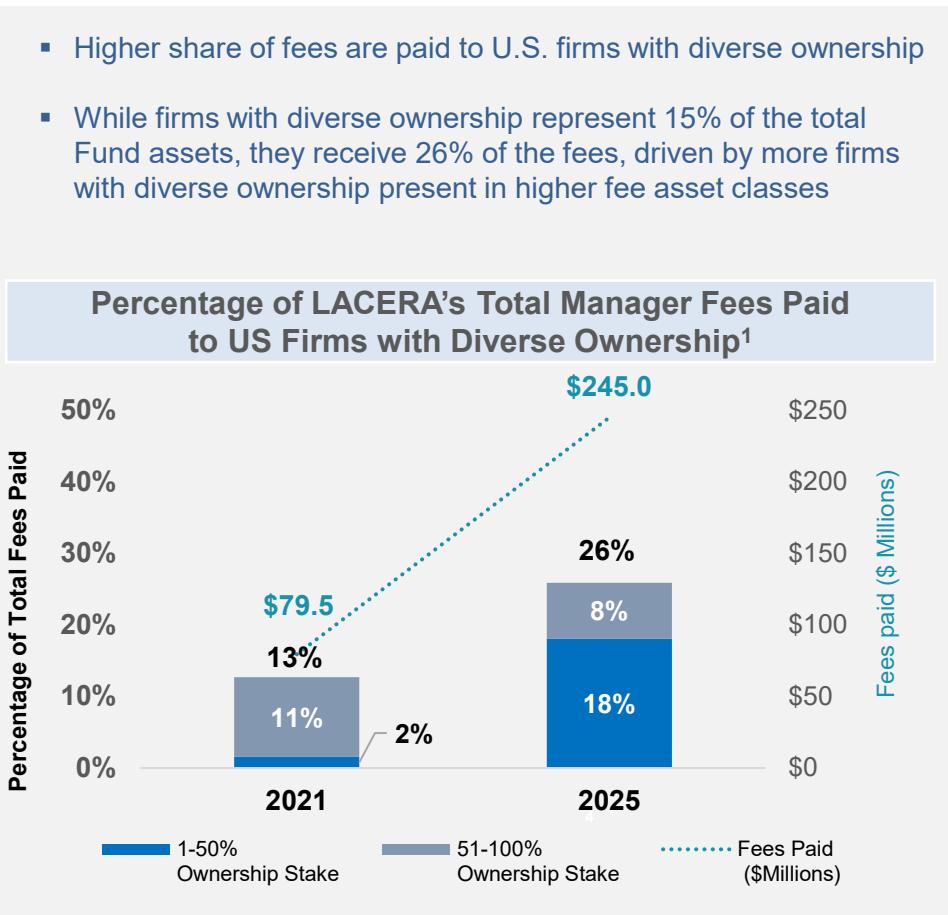
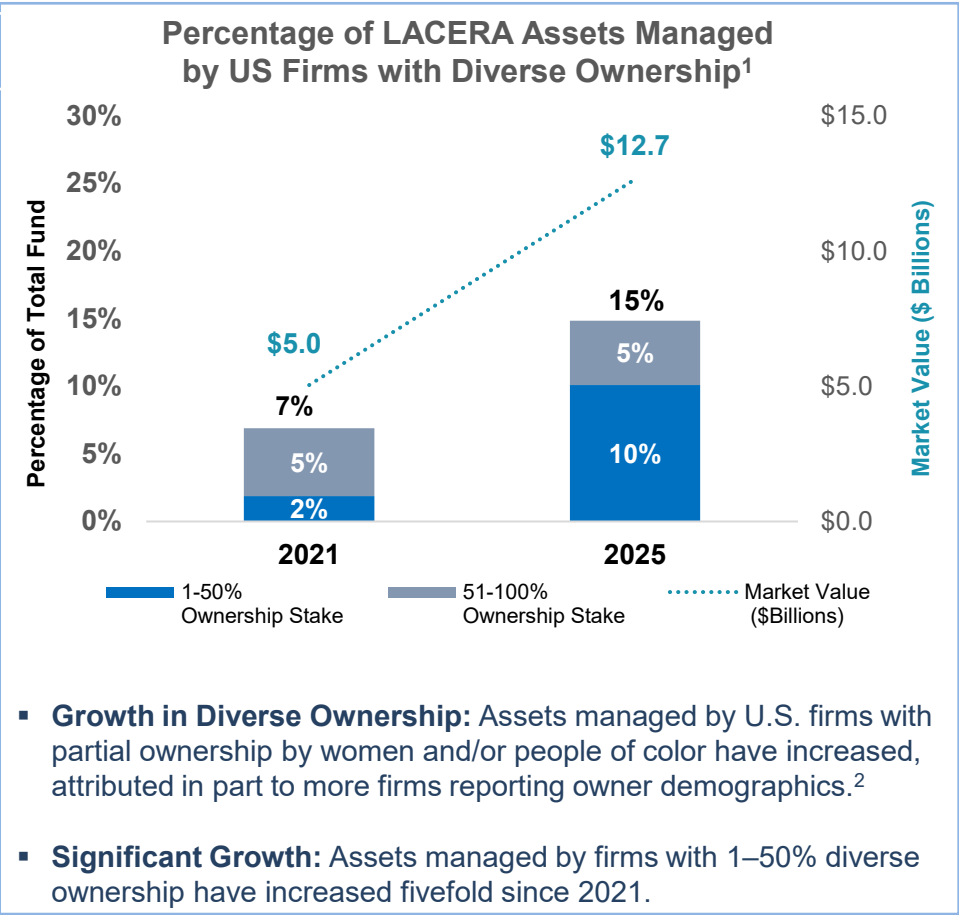
¹Includes 169 firms (U.S. only) managing LACERA capital as of June 30, 2025. U.S. firms report both gender and race/ethnicity data unlike non-U.S. firms that typically report only gender. Excludes co-investments, liquidating mandates, secondaries, terminated firms (labeled as “Other”).

2. Capital Formation: Reach of Assets and Fees

Objective

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

Status and Updates



¹Data represents 65 U.S. privately held firms (including emerging managers) managing LACERA capital as of June 30, 2025, that voluntarily provided demographic information regarding the firm's equity owners.

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

2. Capital Formation: Emerging Manager Programs

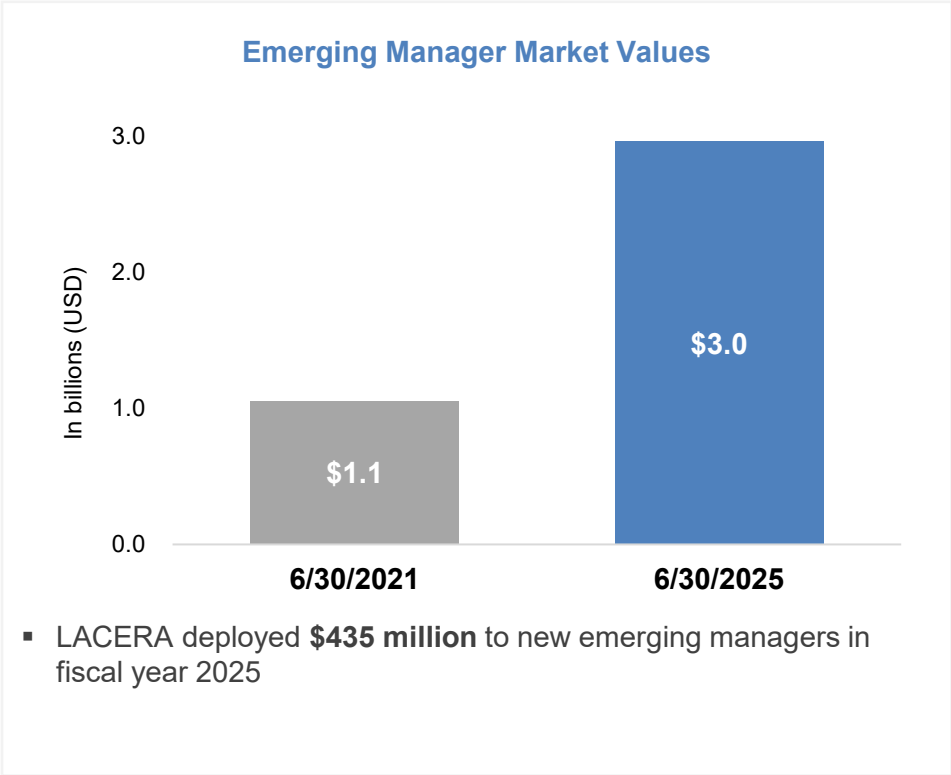


Objective

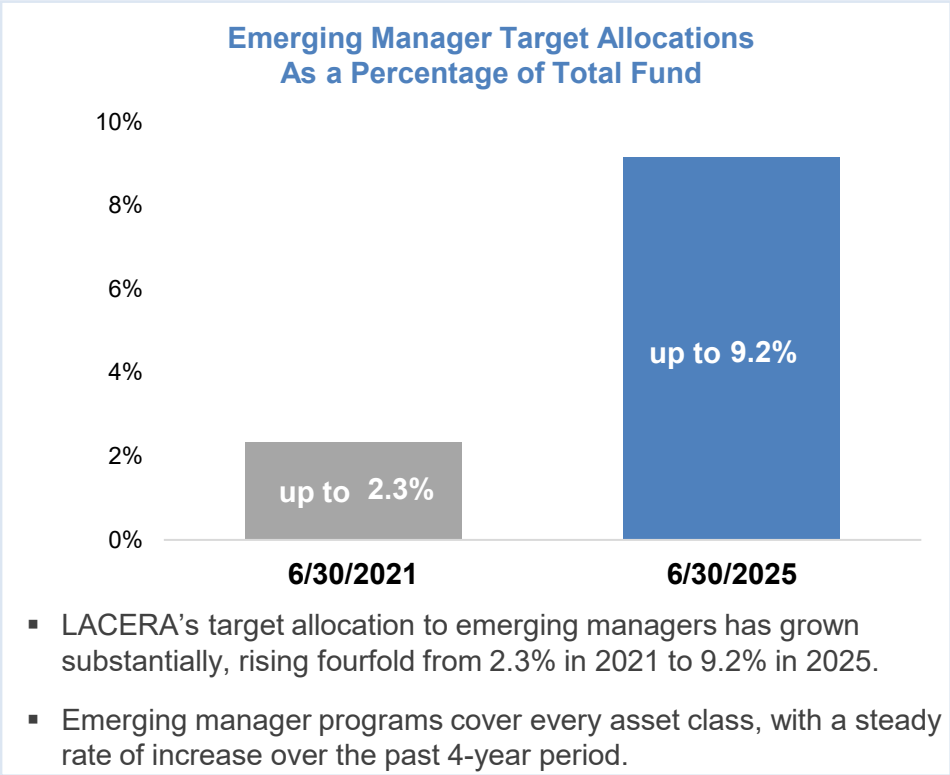
Evaluate newer firms that may generate attractive returns, based on smaller asset bases and nimble investment approaches

Status and Updates

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



Opportunities for Emerging Managers¹
have **quadrupled** since 2021



¹LACERA'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.

3: Industry Advocacy



Objectives

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

- 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 inclusive talent practices in the investment management industry

Status and Updates



- Hosted in-person roundtables in partnership with CFA Society of Los Angeles to share cross learnings on effective DEI strategies in evolving landscape
- Provided input to CFA Institute to support its development of market-specific tools in more markets, such as India, Saudi Arabia, and Continental Europe
- LACERA representation on CFA Institute's Inclusion Committee



- Continued to strengthen partnership with Girls Who Invest
- LACERA representation on Advisory Board to provide strategic guidance in furthering GWI's mission of increasing gender diversity in investment management



- Member of ILPA's 12-person Signatory Advisory Committee for Driving Inclusion in Alternatives (DIA), advancing DEI in private equity
- Collaborate on ILPA due diligence templates, metrics, and key performance indicators to improve industry practices

4: Portfolio Company Engagement



Portfolio
Engagement

Objectives

Encourage inclusive workforce policies and practices **at portfolio companies** by voting proxies and governance engagements

- Vote proxies to advance effective and inclusive talent management at portfolio companies
- Advance a focused engagement initiative on corporate board quality at portfolio companies to encourage firms to identify need skillsets and cast a wide net, inclusive of diverse backgrounds
- Increase attentiveness to inclusive talent management practices at portfolio companies in private asset classes

Status and Updates

FY2025 Global Proxy Voting¹



6,004
SHAREHOLDER
MEETINGS
VOTED

70,462
INDIVIDUAL
BALLOT ITEMS
VOTED

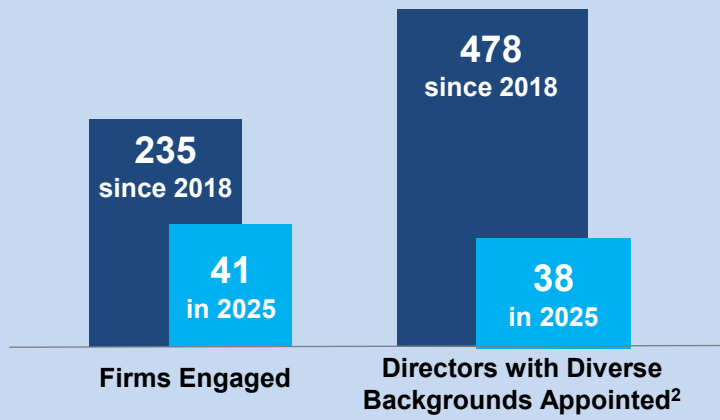
59
GLOBAL
MARKETS
VOTED IN

LACERA proxy voting supports practices, such as

- EEO-1 workforce disclosures
- Inclusive board recruitment strategies
- Proactive pay parity analysis
- Misconduct-triggered clawbacks

Corporate Board Engagement Initiative¹

Multi-year effort encourages boards to identify additive skills to inform director recruitments and cast a wide net for qualified talent



Expanding Data Disclosures for Analysis¹

LACERA supports initiatives³ that encourage portfolio companies to measure and disclose workforce data:

- Equal employment opportunity policies
- Board and workforce demographics
- Turnover rates



¹More information provided in October 2025 Board of Investments Corporate Governance Committee materials and 2025 Corporate Governance and Stewardship Update on www.lacera.gov.

²Directors of diverse racial or gender backgrounds, as disclosed in company reports.

³Sustainability Accounting Standards Board (<https://sasb.ifrs.org>), Global Real Estate Sustainability Benchmark (www.gresb.com), ESG Data Convergence Initiative (www.esgdc.org).

5: Internal Practices

Objectives

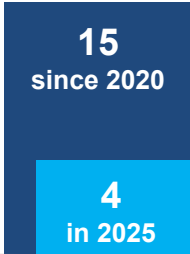
Advance inclusive **recruitment and retention practices**, consistent with recognized frameworks to which LACERA is a signatory

Expand regularity and reach of Investments Division **internships** to enhance familiarity of investments and public service careers

Status and Updates

Recruitment and Retention Practices

Enabling Internal Mobility



About 30% of investment team promoted in the past 5 years

Over 10% in past year

Internal Investment Team Promotions

Pursue Industry Leading Best Practices

- ILPA DIA Initiative and CFA DEI Code¹

Launched Inaugural Financial Analyst Fellowship

- 2 fellows hired for two-year program
- Open pathways for early-career professionals

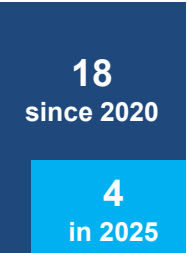
Implemented Salary Study and Adjustments

- Strengthens ability to recruit and retain talent

Internships

Expand our Reach

Partnering with organizations² to expand our reach with 10+ years hosting interns



Internships in Investments

Hands-on experience across asset classes

- Attend internal investment committees
- Attend investment manager meetings
- Underwrite investments

Raise awareness in public service careers and LACERA's investment principles

- Educate on LACERA's Mission & Principles

¹ <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>.

² Girls Who Invest (GWI) and Sponsors for Educational Opportunity-Pension Real Estate Association (SEO-PREA) in 2025.

5: Internal Practices

Objective

Enable a dynamic and inclusive **workplace culture** that supports LACERA's evolution to a Best-in-Class Investor and strengthens staff development and leadership skills

Status and Updates





Observations



**LACERA multi-year progress
towards stated objectives
guided by
deliberate, pragmatic approach**



Comprehensive

LACERA's approach is integrated across our investment team and due diligence process, which enhances the initiative



Consistent

Consistent framework and investment partner communication yields stable responsiveness



Constructive

Pragmatically encourage firms to define policies and pursue practical strategies that support inclusive workplace culture



Collaborative

Earnest, candid dialogue with firms facilitates exchange of best practices and cooperative reporting