

MEKETA

INVESTMENT GROUP

MAY 2022 | ISSUE TWO | 2021 RESULTS

DIVERSITY EQUITY & INCLUSION annual questionnaire

**PUBLIC AND
PRIVATE MARKETS
RESEARCH TEAMS**



INTRODUCTION

Meketa launched a formal initiative to gather 2020 data from public and private markets asset managers within our proprietary database. The initiative focused on evaluating asset manager efforts more thoroughly to have a deeper understanding of Diversity, Equity, & Inclusion (“DEI”) within their organizations. For the second year in a row, we sent our Annual Diversity, Equity & Inclusion Questionnaire to asset managers to report on their 2021 work in this area.

* Information regarding the methodology and DEI-related terms specific to this questionnaire can be found in the appendix.

In this summary, we discuss the results of the second annual DEI questionnaire. Out of 803 firms who received the questionnaire, 420 responded. This is a 50% response rate increase from managers compared to 2021. (Please note, not every firm responded to every question.) The questionnaire was constructed in three sections: (1) Transparency and Reporting, (2) Policies and Initiatives, and (3) Employee Conduct. In this report, we will summarize our findings from the questionnaire and conclude with recommendations for asset managers that could serve as differentiators in the future.

**Note that respondent bias is likely in the results, with firms more focused on DEI initiatives opting to respond to the questionnaire. The following analysis summarizes key findings from the responses received.



SECTION I TRANSPARENCY AND REPORTING

KEY TAKEAWAYS

Firm Composition by Race and Gender	New Hires, Promotions, and Turnover Rates	Reporting
<ul style="list-style-type: none"> → 389 organizations reported total firm diversity statistics, while only 227 reported diversity statistics for the Board, and 241 reported diversity statistics for equity ownership. It is worth noting that not all firms have a Board in place. → Decision making levels (equity ownership and senior management) are the least diverse both in racial and gender diversity. → On trend with 2020, women continue to be least represented in portfolio management positions, while diverse employees are least represented in equity ownership. → Lower-level positions are the most diverse by both racial and gender measures. (Operations top quartile ≥ 54% minority and ≥65% female. Admin top quartile ≥66% minority and 83% female.) → Veteran and disabled employee representation was <2% across all categories. → Female representation is slightly higher comparing all portfolio managers (15%) versus lead portfolio managers (12%). 	<ul style="list-style-type: none"> → In 2021, 42% of new employees were either female hires, diverse hires, or both. → 59% of promotions were given to males and over two-thirds were given to non-racially diverse people. → The turnover rate was 4% higher for women than men. Over half of resignations were non-racially diverse people (52%). 	<ul style="list-style-type: none"> → In terms of reporting, 52% of asset managers released annual diversity statistics to their clients, followed closely by the consultants covering them at 49%, their prospects by 39% and regulators at 23%.

FIGURE 1
KEY TAKEAWAYS

Source: Meketa Investment Group 2022 Questionnaire.

FIRM COMPOSITION BY RACE AND GENDER

The chart below summarizes diversity statistics in quartile ranges for total firm, equity ownership, senior management, and portfolio management roles. The top quartile represents the highest percentage of minority and female employees.

The below table depicts the mean, median, and cutoff point between the second and top quartile and the cutoff point between the third and bottom quartile. To interpret this data, let's use the Total Firm - Female category as an example of how the table should be read. If more than 42% of your firm identifies as female, you would be in the top quartile of questionnaire results. Conversely, if you have less than 29% of your firm identifying as female, you would be in the bottom quartile of questionnaire results.

Interesting to note, the increase in manager responses for the 2021 data had increased dispersion compared to last year. Relative to the 2020 data, top quartile and mean percentages experienced either no change or decreased across all categories excluding total firm.

	Total Firm				% Equity Ownership			
	Female	% Change	Minority	% Change	Female	% Change	Minority	% Change
Top Quartile	>42%	→0%	>39%	↑4%	>21%	↓-9%	>17%	↓-9%
Median	35%	↓-1%	25%	→0%	7%	↓-8%	0%	↓-13%
Mean	37%	↑1%	28%	→0%	12%	↓-8%	12%	↓-9%
Bottom Quartile	<29%	↓-1%	<15%	↓-2%	0%	→0%	0%	→0%

	Senior Management				All Portfolio Managers			
	Female	% Change	Minority	% Change	Female	% Change	Minority	% Change
Top Quartile	>29%	↓-4%	>24%	↓-3%	>20%	→0%	>26%	↓-8%
Median	19%	↓-2%	11%	↓-5%	9%	↓-2%	14%	↓-5%
Mean	18%	↓-5%	16%	↓-7%	13%	→0%	18%	↓-8%
Bottom Quartile	<8%	↓-3%	0%	↓-5%	0%	→0%	0%	↓-7%

FIGURE 2
FIRM COMPOSITION BY RACE AND GENDER QUARTILE RANGES
 Source: Meketa Investment Group 2022 Questionnaire.

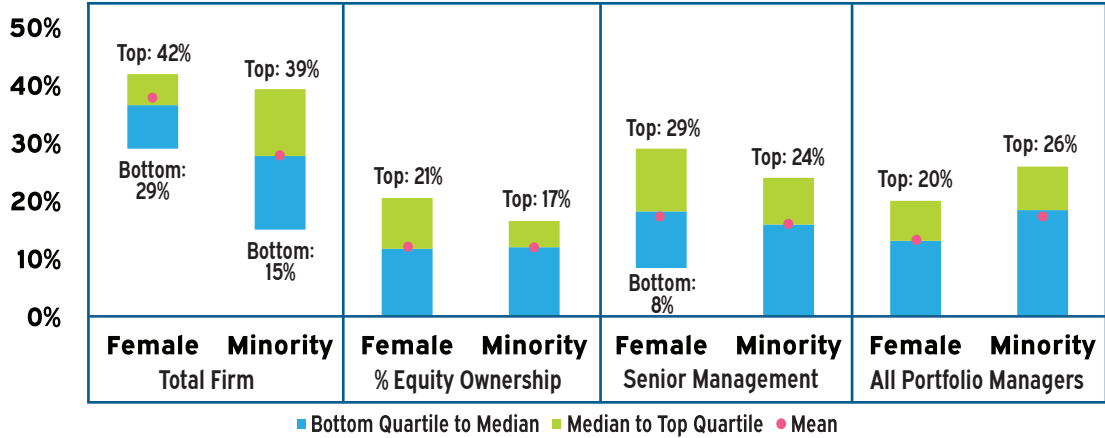


FIGURE 3
FIRM COMPOSITION BY RACE AND GENDER QUARTILE RANGES
 Source: Meketa Investment Group 2022 Questionnaire.

NEW HIRES, PROMOTIONS, AND TURNOVER RATES

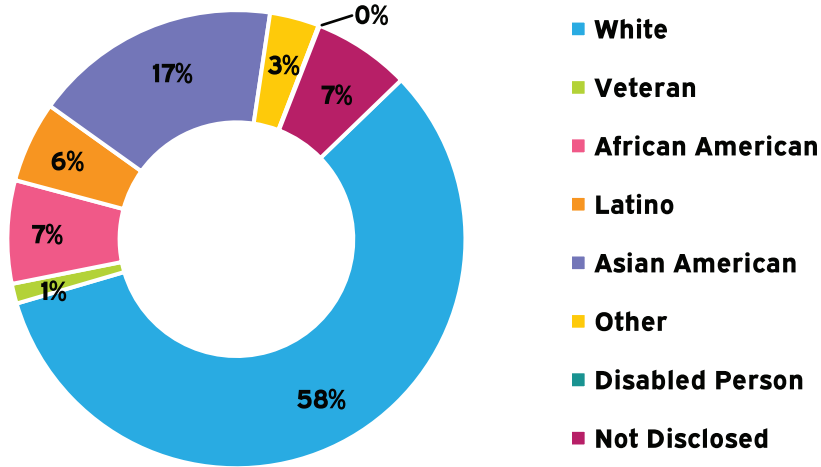


FIGURE 4
2021 NEW HIRES BY DIVERSITY
 Source: Meketa Investment Group 2022 Questionnaire.

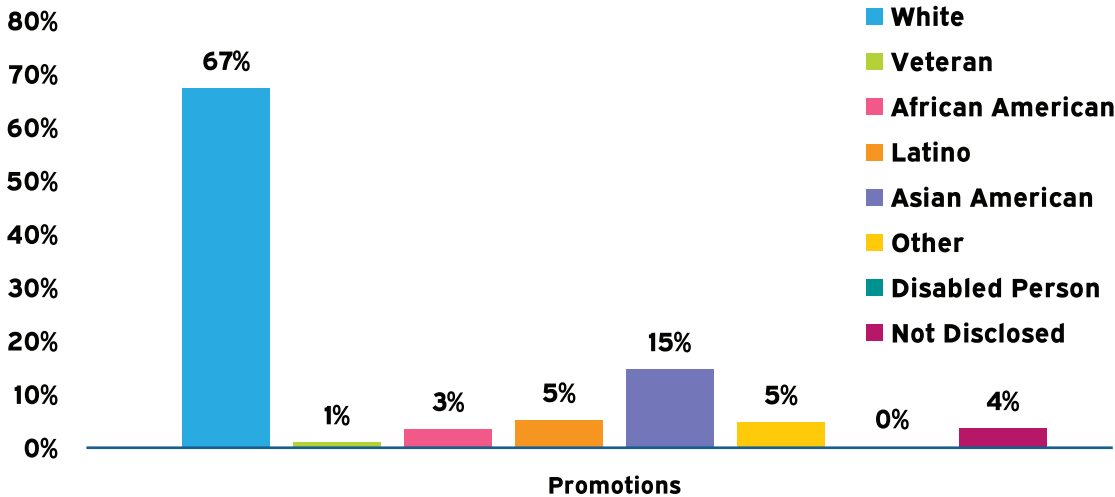


FIGURE 5
2021 PROMOTIONS BY DIVERSITY
 Source: Meketa Investment Group 2022 Questionnaire.

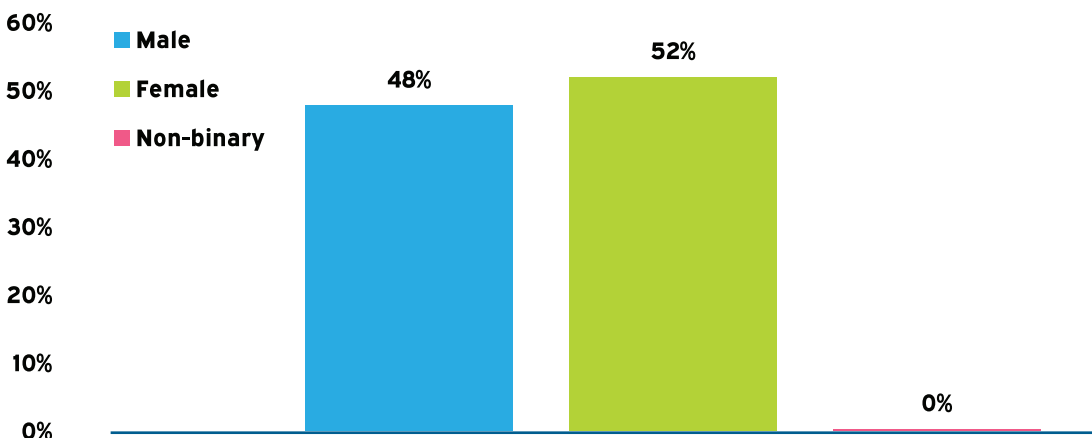


FIGURE 6
2021 TURNOVER RATE BY GENDER
 Source: Meketa Investment Group 2022 Questionnaire.



REPORTING

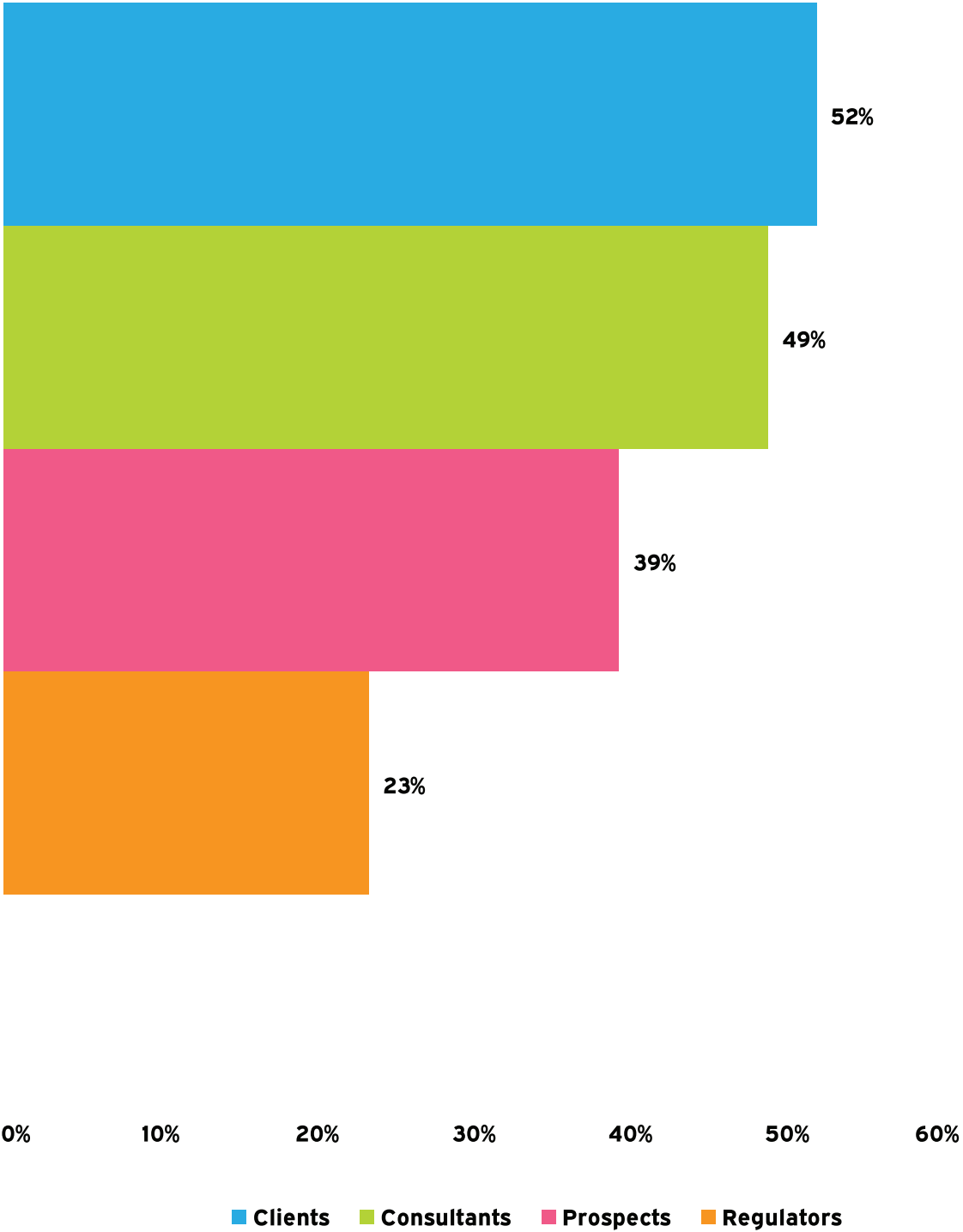


FIGURE 7
RECIPIENTS OF ANNUAL DIVERSITY STATISTICS REPORT FROM ASSET MANAGERS

Source: Meketa Investment Group 2022 Questionnaire.



SECTION II POLICIES AND INITIATIVES

KEY TAKEAWAYS

- An effective DEI strategy requires policies and human resources support within the organization to effectively promote efforts related to DEI. From our research, we found that 78% of managers have a formal DEI policy in place, with an additional 6% of managers planning to implement a policy in the next year.
- Importantly, roughly two-thirds of managers reported that their firm’s senior management had made public statements in support of DEI initiatives. In addition, 72% reported their executive committee or Board regularly reviews or has in the last 12 months reviewed diversity statistics.
- Unfortunately, less than half have DEI included in the executive committee’s or Board of Director’s terms of reference and only one-third have DEI included as a performance objective for senior management.
- With the 2020 data, we noted that very few companies extend their DEI efforts to service providers (18% include DEI policy reviews in their evaluation of service providers, and only 29% partner with Minority, Women, and Disadvantaged Business Enterprise (“MWDBE”) service providers). Over the last year, there was an increase in companies extending their DEI efforts to include an evaluation of service providers’ DEI policies (increase of 6%) as well as asset managers partnering with MWDBE service providers (increase of 3%).

The first chart below shows the breakdown of managers that have diversity targets in place. Over two-thirds of the respondents do not have set diversity targets. However, most of them would agree that building an inclusive workplace is important enough to garner the attention and support of senior management. Currently 63% of managers have a diversity and inclusion committee or group within their organization that includes members of senior management, with another 4% of respondents due to implement such a group within the next 12 months.

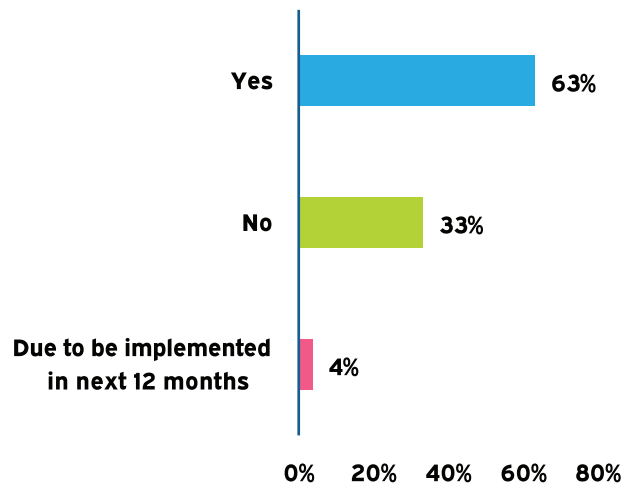
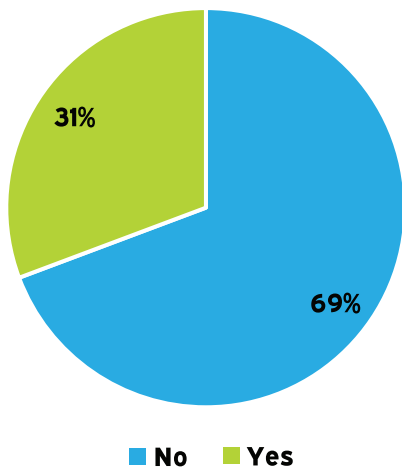


FIGURE 8 (LEFT)
DO YOU HAVE DIVERSITY TARGETS?
 Source: Meketa Investment Group 2022 Questionnaire.

FIGURE 9 (RIGHT)
DOES THE FIRM HAVE A DIVERSITY AND INCLUSION COMMITTEE OR GROUP WITHIN THE ORGANIZATION THAT INCLUDES MEMBERS OF SENIOR MANAGEMENT?
 Source: Meketa Investment Group 2022 Questionnaire.

EQUAL PAY

When asked about a written policy to ensure that equal pay is provided for comparable performance in equivalent roles regardless of gender and minority categorization, 60% of managers responded yes. In addition, results were reported from asset managers as to whether pay gaps by gender or ethnicity were measured.

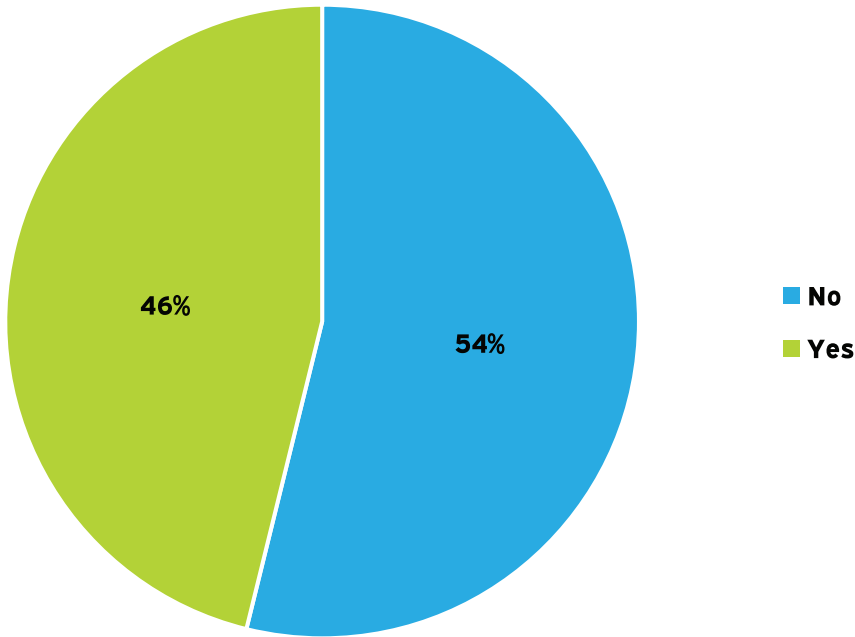


FIGURE 10
DO YOU MEASURE GENDER PAY GAP?

Source: Meketa Investment Group 2022 Questionnaire.

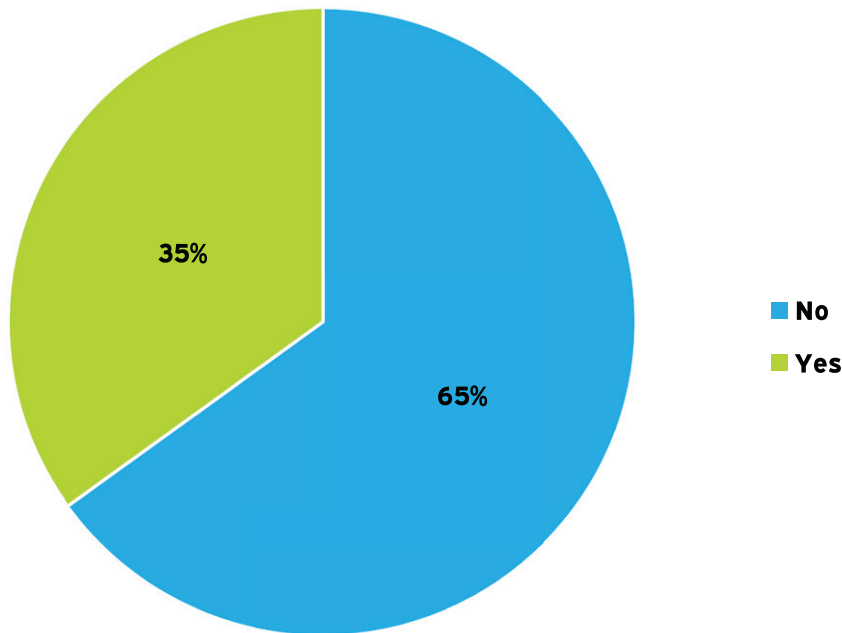


FIGURE 11
DO YOU MEASURE ETHNICITY PAY GAP?

Source: Meketa Investment Group 2022 Questionnaire.

DEI INITIATIVES

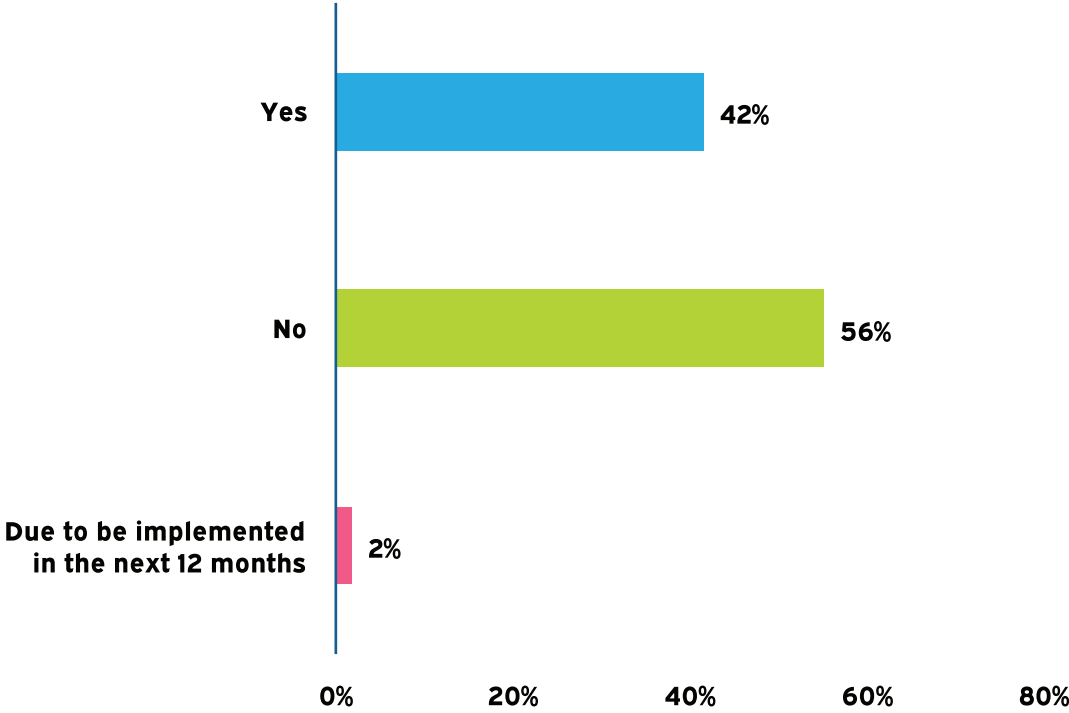


FIGURE 12
IS DIVERSITY & INCLUSION INCLUDED IN THE EXECUTIVE COMMITTEE OR BOARD OF DIRECTOR'S TERMS OF REFERENCE?

Source: Meketa Investment Group 2022 Questionnaire.

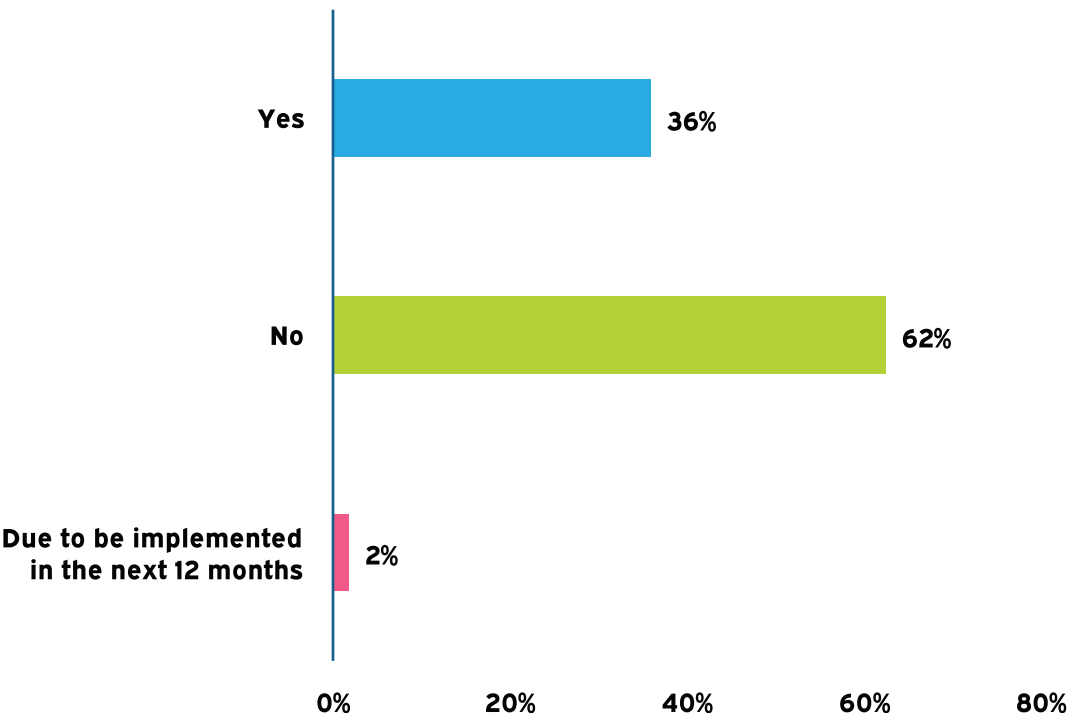


FIGURE 13
HAVE DIVERSITY AND INCLUSION BEEN INCLUDED WITHIN THE PERFORMANCE OBJECTIVES FOR SENIOR MANAGEMENT IN THE LAST 12 MONTHS?

Source: Meketa Investment Group 2022 Questionnaire.

SERVICE PROVIDERS AND DEI

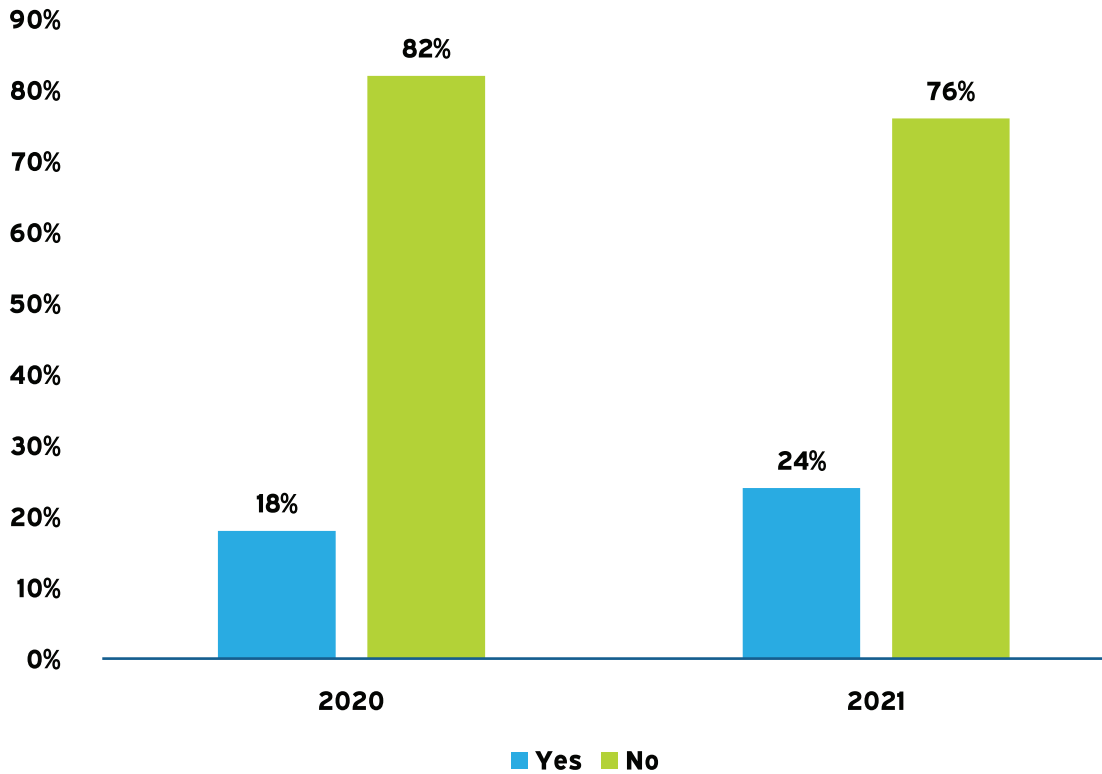


FIGURE 14
WHEN SELECTING SERVICE PROVIDERS, DOES THE FIRM FORMALLY ASSESS EACH PROVIDER'S DEI POLICIES?

Source: Meketa Investment Group 2022 Questionnaire.

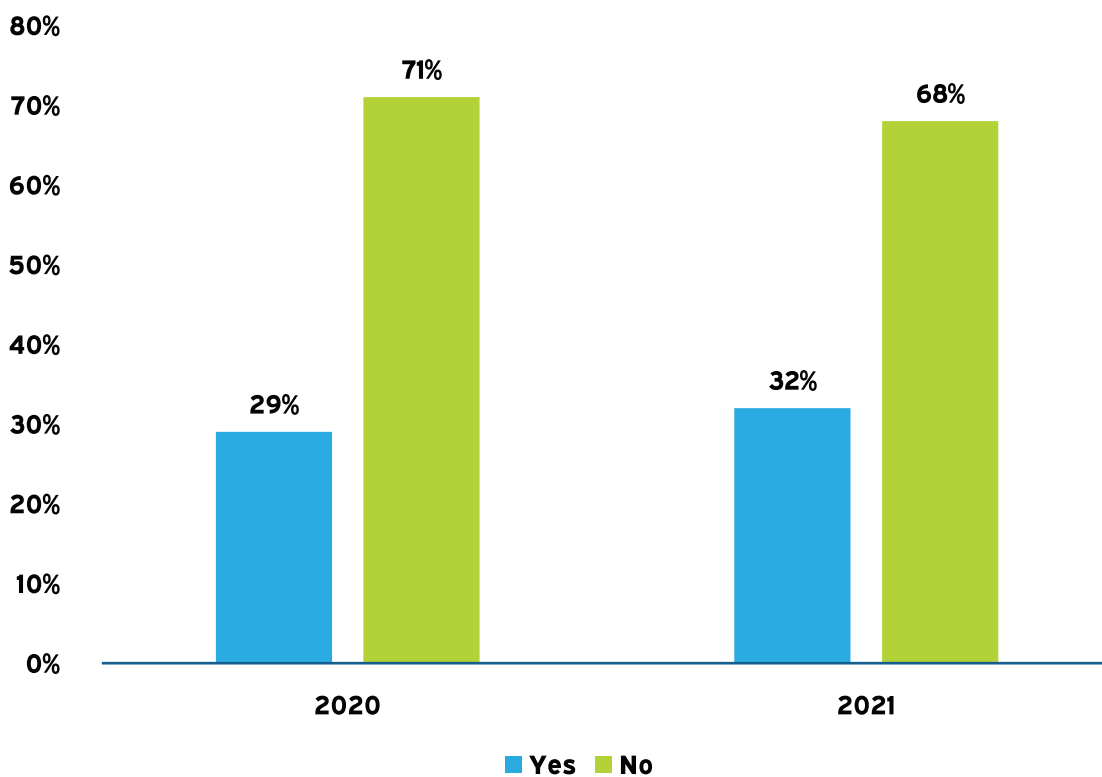


FIGURE 15
DOES THE FIRM UTILIZE MINORITY, WOMEN, AND DISADVANTAGED BUSINESS ENTERPRISE (MWD) INVESTMENT BANKS FOR CAPITAL MARKETS SERVICES, MERGERS AND ACQUISITIONS SERVICES AND/OR OTHER ADVISORY SERVICES?

Source: Meketa Investment Group 2022 Questionnaire.

DEI TRAINING

The chart below highlights the emphasis organizations have put on DEI training. A wide variety of topics such as mental health, hybrid culture, generational differences, and allyship have become a priority for managers.

- Inclusion Training for Managers
- Unconscious Bias
- Other Training (mental health, etc.)

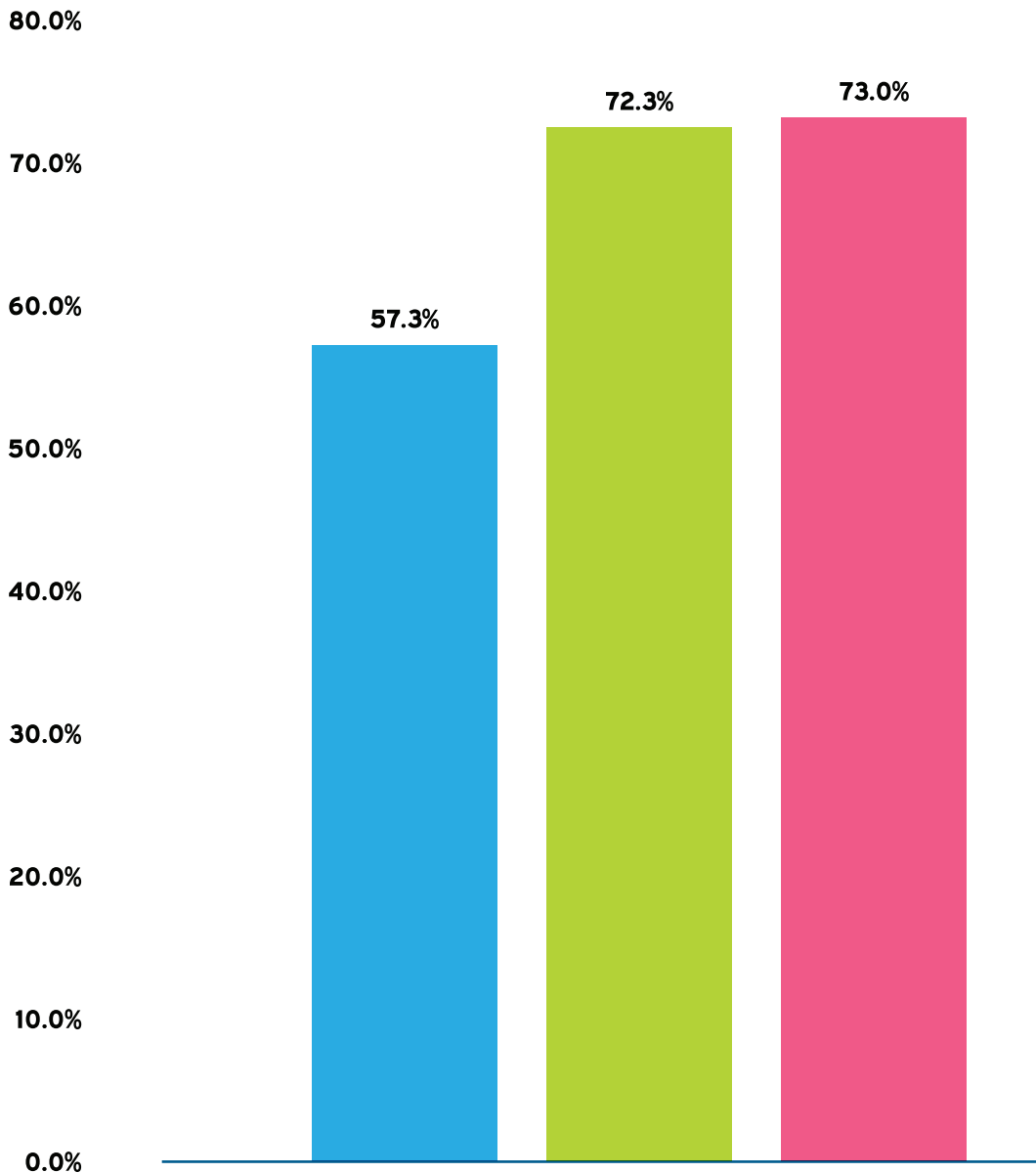


FIGURE 16
PLEASE SELECT WHICH OF
THE BELOW DEI TRAINING YOU
HAVE PROVIDED IN THE LAST 12
MONTHS

Source: Meketa Investment Group 2022
Questionnaire.



SECTION III EMPLOYEE CONDUCT

KEY TAKEAWAYS

Almost all firms, 96%, reported having a code of conduct that addresses harassment, discrimination, and workplace violence, regardless of whether the conduct takes place in the formal workspace.

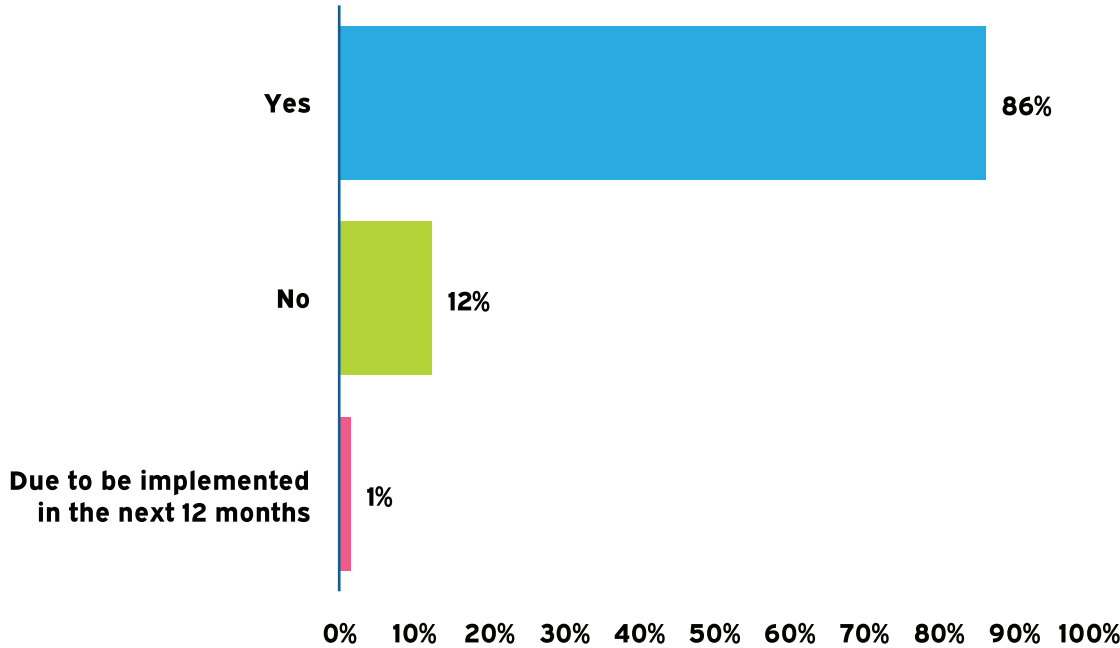


FIGURE 17
DOES THE FIRM HAVE WRITTEN PROCEDURES IN PLACE FOR THE ANONYMOUS REPORTING AND INVESTIGATION OF HARASSMENT, DISCRIMINATION AND/OR WORKPLACE VIOLENCE?

Source: Meketa Investment Group 2022 Questionnaire.

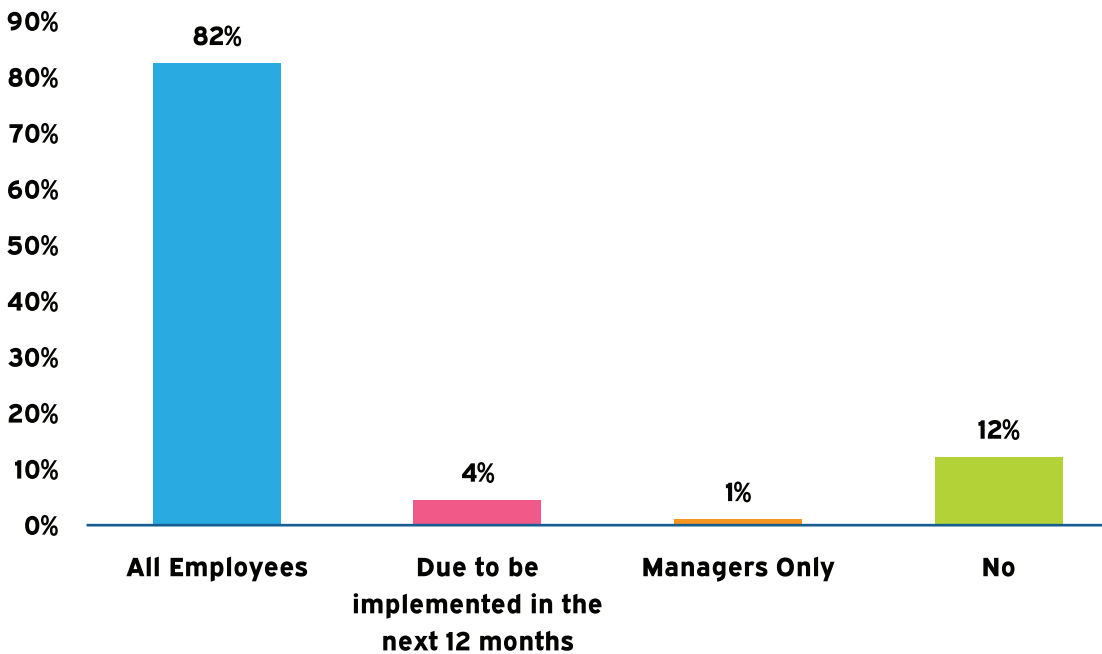


FIGURE 18
DOES THE FIRM PROVIDE MANDATORY ANTI-HARASSMENT AND NON-DISCRIMINATION TRAINING TO ALL EMPLOYEES OR MANAGERS ONLY?

Source: Meketa Investment Group 2022 Questionnaire.



SUMMARY CONCLUSIONS

While we did not see any notable changes from the previous year, we are thrilled and encouraged by the increase of almost 50% of managers participating in our DEI questionnaire in 2022. Compared to last year, our 2022 questionnaire was more extensive and asked more clarifying questions on employee composition, promotions, turnover, and policies and procedures. Going forward we expect to see more progress in DEI efforts and look forward to even higher participation in the questionnaire from all surveyed managers.

We acknowledge DEI is a journey and recognize committed managers will need time to progressively evolve their organizations to become more diverse. However, it is important to keep in mind that those that move too slowly may be rapidly outpaced. That said, asset managers may continue to differentiate themselves by focusing on the following areas:

- Diversify their Board or establish a plan to create diversity over time.
- Develop a plan to expand ownership to staff that enhances diversity.
- Ensure the firm has policies and committees in place to support DEI at all levels of the firm.
- Set corporate diversity goals and seek continual progress.
- Establish mentorship opportunities for staff that promote diversity.
- Evaluate the DEI policies of service providers.
- Partner with MWDBE service providers.

APPENDIX

Asset Manager: Includes public and private managers in Meketa's database as of January 2022.

Clients: Current clients of asset managers who responded to the questionnaire.

Consultants: Oversee asset managers who responded to the questionnaire.

Prospects: Potential clients of an asset manager who responded to the questionnaire.

Regulators: Bodies established by governments or other organizations that oversee the functioning and fairness of financial markets and the firms that engage in financial activity.

Service Providers: Third-party suppliers, vendors, or subcontractors of asset managers who responded to the questionnaire.

Definitions: Below are definitions of the DEI-related terms specific to this questionnaire:

- Minorities or minority groups are defined on the basis of the following factors: race/ethnicity, LGBTQ+ identity, veteran status and disability.
- Racial/ethnic minorities are defined as non-white minorities.
- Other minority groups refer to those who identify as LGBTQ+, veterans and persons with disabilities.
- Diversity is defined as the inclusion of women and minority groups, while Inclusion is defined as the practice of equal recognition, respect, and merit-based evaluation.
- The use of the term minority is meant to represent a numerical minority.

Methodology: The questionnaire was distributed to all asset managers in January 2022. Asset managers completed the questionnaire with best available data. All responses were collected from January 29, 2022 through April 4, 2022.

CONTACT US

If you want to learn more, or access Meketa's library of white papers and economic research, please contact us or visit <https://meketa.com/thought-leadership/>.

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