Retirement News Highlights

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Table of Contents

'Institutional Courage' Must Be at the Center of DEI Efforts: Panel

IF MANAGERS FALL SHORT OF THEIR DIVERSITY, EQUITY AND INCLUSION GOALS, THEY SHOULD BE HONEST AND TRANSPARENT ABOUT IT, PANELISTS SAID DURING A FUNDFIRE WEBCAST ON TUESDAY.

By Bridget Hickey
FUNDfire
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Implementing diversity, equity and inclusion programs is not for the faint of heart, and asset managers need to show progress on DEI efforts to gain buy-in from staff, panelists said during FundFire's Exchange webcast Tuesday.

"The most important factor… in whether these programs are successful is institutional courage," said Pamela Coukos, CEO and co-founder of consultancy Working IDEAL. "[T]his work is hard,… it entails some risk, and you have to be a little bit brave. Maybe these days, we have to be even a little bit braver, but there is a big payoff – [courage] creates authenticity, it creates engagement, and it helps… keep you moving towards your goals."

While firms tend to focus on an overarching goal or number, what's more important is identifying DEI trends within the organization and how they differ across the firm, Coukos said. "Where are things happening or not happening?"

The webcast – Overcoming Diversity, Equity and Inclusion Hurdles – also featured Ann Miletti, chief diversity officer and head of active equity at Allspring Global Investments, and Cristina Santos, senior vice president and head of diversity, equity and inclusion at Capital Group.

Miletti, who began her career as a school teacher and got into asset management "by accident," said being authentic was key to her personal success and her approach as a leader for the firm's DEI function.

Santos emphasized the importance of transparency and honesty in approaching DEI.

"[T]he big lesson for me is 'share'," she said. "That includes share your data, share where you're starting from [and] where you're hoping to get to."

If firms fall short of their DEI goals, they should explain why, Santos added. "Talk through more of it and be as transparent and honest as you can in those conversations en masse and one-on-one,… that's how the work gets done differently, better, more inclusively, and that [is how] everybody feels like they're really a part of it."

Panelists shared a range of views on where the DEI function should sit within a firm, but one message was clear: DEI needs to be in the "room where it happens."

"The question you want to ask [is], ‘how does where the DEI function sit impact its ability to be both strategic and operational,’" Coukos said.

Miletti, who reports directly to Allspring’s CEO, said it was hard to say what is “perfect” practice when it comes to reporting lines for DEI. "I just know, for our organization, this feels right, we feel like it's going to give us a better chance of making a difference for Allspring," she said.

Santos, who reports to the human resources function at Capital Group, said making sure DEI leaders are “in the room” and have “access to leadership where it matters most” was more important than whether the DEI function reports to the CEO versus the chief human resources officer.

Ultimately, firms will avoid paying lip service to DEI if employees see managers making a sincere effort to create change, Coukos said.

"It makes a difference if people see you working [on DEI],” she said. “It changes how you behave, everything from what individual managers do to [what] the head of the organization [does]. And so, it's pretty hard to have something that's symbolic if you're actually understanding your progress, reporting on it, [and] sharing it out. That creates a lot of accountability.”

Back to top

Kentucky County Employees raising assumed return rate for first time since 1996

By Rob Kozlowski
Pensions & Investments
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Kentucky County Employees Retirement System, Frankfort, is raising its assumed rate of return to 6.5% from 6.25%, a news release from the Kentucky Public Pensions Authority said Tuesday.

The CERS board at its May 9 meeting approved the increase for both the system's hazardous and non-hazardous pension and health insurance funds, which hold a total of $16.1 billion in assets. The increase was supported by CERS staff, investment consultant Wilshire Advisors and actuarial consultant Gabriel Roeder Smith.

A KPPA spokesman said in an email that it is the first increase in the assumed rate of return since fiscal year 1996, when it was upped to 8.25% from 8%.

Betty Pendergrass, chairwoman of the CERS board said in the news release: "This increase parallels the pension and insurance plans' consistent performance since 1984 of 8.5% to 9% or better. More importantly, the board's funding strategy shifts the funding burden from taxpayers to investment markets with a prudent asset allocation strategy."

The higher assumed rate of return reflects higher interest rates, as well as higher equity market return expectations. In addition, Gabriel Roeder Smith recommended decreasing life expectancy for retirees, based on data that showed retirees are not living as long on average as previously expected, according to the news release.

The KPPA spokesman said the assumed rate of return has gradually been decreased since the hike to 8.25% in fiscal year 1996, down to 7.75% in FY 2006, 7.5% in FY 2015 and finally to 6.25% in FY 2017.

The Kentucky Public Pensions Authority oversees the investment management and benefits administration of the state's retirement systems.

Back to top