



## Board of Administration

# Agenda Item 10b

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**March 17, 2021**

**Item Name:** Diversity Report and Framework

**Program:** Diversity Outreach Program

**Item Type:** Information

### **Executive Summary**

The purpose of this agenda item is to provide the CalPERS Board of Administration and stakeholders with an overview of the D&I initiatives, programs, and accomplishments across the enterprise, including an update on current workforce demographics.

The agenda item also provides an update on current D&I activities in the Investment Office that focus on engagement of corporate boards and proxy voting.

Finally, the CalPERS team will present a new Diversity, Equity & Inclusion (DEI) Framework that outlines the goals, objectives and initiatives designed to improve diversity, equity and inclusion in our working environment and culture, investment portfolio and returns, health care program and suppliers.

### **Strategic Plan**

This agenda item supports the Talent Management strategic goal to “promote a high-performing and diverse workforce” through recruitment and empowerment of a broad range of talents to meet the organization’s priorities.

### **Background**

The foundation of CalPERS D&I efforts has been built on a strategic three-tiered approach in the workforce, workplace and marketplace as follows:

- Workforce – we recruit and retain a high-performance team inclusive of our State’s rich history
- Workplace – we actively educate our leadership and team members to increase awareness and create an inclusive culture, understanding the skills that lead to greater quality, respect and accountability

- Marketplace – we serve our members with sensitivity to their diverse perspectives, advocate for diverse corporate boards of the companies we invest in and incorporate diverse principles with the companies we conduct business with.

## **Analysis**

The Business Plan Initiative to expand CalPERS' D&I Program is in its fourth year of the five-year strategic plan. The overall strategy remains to further embed D&I practices across the enterprise to meet organizational goals. The initiatives and efforts in the fiscal year have focused on talent management, education, and communication. The work has been particularly important this year as the nation experienced several crises including the COVID-19 pandemic, an economic downturn, and waves of civil unrest against systemic racism. The heightened awareness of inequities accentuated the importance of education, communication and best practices that promote acceptance, understanding and collaboration.

An important accomplishment during the year was the establishment of an enterprise-wide D&I Council. The Council's sponsors include the Interim Chief Diversity & Inclusion Officer, Chief Operating Officer, and Deputy Executive Officer for Communications and Stakeholder Relations. The Council is led by the Chief of Stakeholder Relations, who has responsibility over the CalPERS Diversity Outreach Program. The Council also includes members from multiple divisions across the organization.

The D&I Council is a new eco-system with two primary advantages:

- Internally, it provides a comprehensive approach for D&I work and provides a platform for a variety of perspectives to help deliver innovative products and services.
- Externally, it helps the organization respond effectively to an increasingly diverse customer base.

The Council is supported by three employee resource groups (ERGs) including CalPERS D&I Group, the CalPERS Disability Advisory Committee, and the D&I Steering Committee in the Investment Office.

## **D&I Highlights**

### Talent Management—Workforce Data

CalPERS relies on demographic data collected by the State Controller's Office to inform the organization of its workforce gender and ethnicity profile. For the first time this year, CalPERS collected data on race, ethnicity, sexual orientation and gender identity (SOGI) from team members voluntarily through its fourth annual Employee Engagement Survey.

This year's survey had an 80 percent response rate, again increasing the response rate by one percent from the prior year. CalPERS strengths include team members feeling they have a clear understanding of organizational goals and objectives, they know what is expected of them, and feel the senior leadership team keeps them informed of CalPERS matters. Team members are

also proud to say they work for CalPERS. They value the positive relationship with their team leader, they feel their team leader cares about them as an individual and are comfortable discussing concerns with them.

Of the 80 percent who responded, approximately 74 percent voluntarily provided this next level of SOGI information about themselves.

### CalPERS Organizational Profile

Source: CalPERS Engagement Survey, as of October 2020

| Demographic        | % who responded | % who chose not to respond/skipped question |
|--------------------|-----------------|---|
| Gender             | 79%             | 21%   |
| Ethnicity          | 73%             | 27%   |
| Sexual Orientation | 72%             | 28%   |

79% to total Respondents

| Gender/<br>Gender Identity | Female | Male  | I prefer not to respond |
|----------------------------|--------|-------|-------------------------|
| % to total                 | 47.7%  | 34.2% | 18.1%                   |

73% to total Respondents

| Race/<br>Ethnicity | Asian                     |                    |                                  |                                      |        |                        |                        |            |
|--------------------|---------------------------|--------------------|----------------------------------|--------------------------------------|--------|------------------------|------------------------|------------|
|                    | Chinese                   | Filipino           | Indian                           | Japanese                             | Korean | Laotian                | Other or Multiple      | Vietnamese |
| % to total         | 5.8%                      | 3.4%               | 3.7%                             | 1.3%                                 | 0.3%   | 0.3%                   | 2.0%                   | 3.3%       |
| Race/<br>Ethnicity | Black or African American | Hispanic or Latino | Native American or Alaska Native | Pacific Islander - Other or Multiple | White  | Other or Multiple Race | I prefer not to answer |            |
| % to total         | 4.5%                      | 11.3%              | 0.2%                             | 0.7%                                 | 33.1%  | 6.2%                   | 23.8%                  |            |

72% to total Respondents

| Sexual Orientation | Bisexual | Gay  | Queer | Straight/<br>Heterosexual | I prefer not to answer |
|--------------------|----------|------|-------|---------------------------|------------------------|
| % to total         | 1.3%     | 1.3% | 0.4%  | 72.6%                     | 24.4%                  |

\*Categories with less than five responses are not reflected. This includes Trans, Transgender, Other, Non-binary, Lesbian, and I use another term.

## Talent Management – Initiatives

- The COVID-19 pandemic challenged the organization to find creative people-centric solutions of every kind to support team members in both the short- and long-terms. Since March 2020, daily COVID-19 huddles have been held with the Executive team and key business areas responsible for managing every aspect of the real-time changes impacting our workforce. This daily huddle allowed us to rapidly communicate with team members about changing work conditions, benefits and leave programs such as: The Families First Coronavirus Response Act leaves, including Emergency Paid Sick Leave and Emergency Family Medical Leave Act, to ensure they were able to maintain work/life balance.
- In September 2020, a COVID-19 pulse survey was launched to learn more about team members' perceptions of CalPERS response to the COVID-19 Pandemic. Results from the survey were favorable with team members telling us that they have confidence in our leadership, feel cared for as individuals, believe policies are being applied consistently, and that our communication efforts are effective.
- CalPERS was among the first state departments to move team members to the State Controller's Office's Cal Employee Connect portal, eliminating the need to distribute paper payroll warrants and direct deposit advices. The new portal increases accessibility for all state employees, giving them direct access to their pay and leave information at any time.
- Twenty webinars and 12 virtual training classes were converted to virtual delivery with near-term plans to continue converting our in-classroom training classes, based on organizational priority.
- In-person career services consultations moved to virtual consultations via Webex to continue consulting with team members looking for support to advance their career. The CalPERS Annual Career Development Day, featuring three senior leadership live webchats, was held within a virtual environment. Every banner, memo, article and event listing were geared toward the event that day on Inside CalPERS, including links to all the tools, signing up for speed mentorship, etc. The virtual event allowed all team members an opportunity to explore interview techniques, informal mentoring, and application package resources in real-time or via recordings of the event. The Human Resources Division (HRSD) conducted 171 team member consultations, presented at three team meetings and attended five virtual career events. The team also developed and launched Virtual Mentoring Week, which has already been hosted in two divisions to promote networking and knowledge transfer.
- In partnership with University Enterprises, Inc. HRSD presented virtually at California State University, Sacramento, and University of California at Berkeley and facilitated the hire of 18 students through the CalPERS Student Assistant Program.

The team also collaborated with the Investment Office to develop the CalPERS' Investment Associate Student Program. These Investment Associates can participate in special projects, learn how to utilize financial software like the Bloomberg terminal, and learn from some of the most experienced investors in the industry.

- LinkedIn was used to connect with external talent and promote opportunities within our organization. By engaging with the public via job postings, HRSD expanded our reach to influence 37 hires in the last fiscal year.
  
- In support of leadership development, HRSD successfully:
  - Transitioned two Emerging Leadership Program (ELP) classes, project presentations, and graduation to a virtual environment.
  - Held 11 of our 24 leadership development classes virtually and will continue to offer training in ways that best meet the needs of our leaders.
    - Developed a Leadership Competency Assessment using our Learning Management System, GoLearn. This tool which was built around CalPERS' leadership competencies was piloted with a group of leaders during their annual performance review. Focus group feedback indicated success with the tool, and we will be rolling this out to a larger pilot group during the Spring of 2021.
  
- The third ELP cohort successfully graduated and the fourth was selected. The ELP offers journey-level analysts, with aspirations for a leadership role, to gain the experiences, exposure, and education to prepare for positions in leadership. The program includes three main elements: mentorship with a senior leader, monthly workshops on leadership topics, and a team project that resolves a CalPERS business problem. Emerging leaders are supported by many, including their team leader, mentor, UC Davis Continuing and Professional Education instructors, team project sponsor, and HRSD ELP team. To date, 32 percent of all ELP participants have promoted into higher level positions, 29 percent of those participants have moved into leadership roles.

One of our proudest achievements this year, is the launch of the CalPERS Upward Mobility Program, designed to support team members in their goals of promoting into higher paying classifications. The program provides guidance through consultations and group presentations, and helps internal talent develop the application and interview skills needed to successfully advance. This year's cohort, which started in August 2020, accepted 35 applicants into the program. Of the 35 participants, five team members have already successfully promoted into higher paying classifications. The Career Services and Outreach team will continue to consult and support the rest of the cohort through the remainder of the fiscal year.

### Education

- More than 520 team members in 13 different divisions attended educational workshops about D&I topics, including Communication, Generational Differences, D&I 101, Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) and Gender

## Identity and Mental Health.

- Delivered mental health education to 117 leaders through the fourth Quarterly Leadership Development Workshop entitled: “The Diverse Mind: Mental Health in the Workplace”.
- Hosted an all-team seminar on Unconscious Bias, facilitated by Dr. Tyrone Holmes, in three separate sessions to ensure all teams members had an opportunity to attend.
- Increased engagement with our ERGs through Webex monthly meetings. More than 70 individuals participated in monthly meetings making it the largest attendance for ERG meetings held at CalPERS. In addition to resources, the meetings provided an open forum to discuss timely topics during the year like the impact of civil unrest and the pandemic.

## Communication

- Launched weekly webchats with the Chief Executive Officer to communicate with CalPERS team members about the pandemic and organizational priorities.
- Implemented a digital D&I Newsletter that provides education, resources and tips to work more effectively together in support of our overall goal to cultivate a high-performing, risk-intelligent, and innovative workplace.
- CDAC was honored with the “2020 Disability Advisory Council of the Year Award” from the Association of California State Employees with Disabilities.
- Assisted team members with issues related to disabilities, especially with accessibility, in a COVID-19 pandemic culture.
- CalPERS continued consulting other agencies assisting in the development of their D&I programs by sharing best practices and experience. The agencies included California Department of Human Resources, California Department of Transportation, California Community Colleges Chancellors Officer, Department of Industrial Relations and Department of Motor Vehicles.
- CalPERS participated in the development of an external Statewide Committee on Diversity, Equity & Inclusion, consisting of members of various state agencies. The Committee is focused on improving D&I programs throughout state government.

## Investment Office

- Since July 2017, CalPERS has engaged over 733 companies in the Russell 3000 index requesting that they improve diversity on their boards. Sixty-seven percent of these

companies have since added elements of board diversity that they did not have prior to engagement.

- During the 2018, 2019 and 2020 proxy seasons, CalPERS voted against 946 directors where engagement efforts did not result in constructive outcomes.
- Majority Vote for Director Elections:
  - During the 2019 proxy season, CalPERS targeted 114 non-responding diversity companies seeking the adoption of majority vote for director elections. Successful engagements resulted at 60 companies that committed to the adoption of majority vote for director elections. CalPERS filed shareowner proposals and ran proxy solicitations at 20 companies, of which seven passed with a majority shareowner support. Fifty-two of the 114 target companies have added elements of board diversity that they did not have prior to engagement.
  - During the 2020 proxy season, CalPERS targeted 38 non-responding diversity companies seeking the adoption of majority vote for director elections. Successful engagements resulted at 17 companies that committed to the adoption of majority vote for director elections. CalPERS filed shareowner proposals and ran proxy solicitations at 14 companies, of which four passed with a majority shareowner support. Fifteen of the 38 target companies have added elements of board diversity that they did not have prior to engagement.

### Next Steps

CalPERS will expand training and education for leaders and team members. The team is scheduled to re-launch an internal social media network and a new video series titled “Our Shared Experience” to improve team member engagement.

In the area of investments, the team will continue to engage companies to improve corporate board diversity and use proxy voting and shareowner campaigns to bring about change where engagements do not result in constructive outcomes.

The Diversity, Equity & Inclusion framework will be refined to include specific objectives, measures, and benchmarks, and will be socialized internally and externally. An update will be provided to the Board later in the year.

### Strategic Measure

The Workforce D&I Strategic Measure was established in 2016, as part of the D&I Business Initiative. We have achieved year over year improvement measured by favorable responses from team members to D&I statements in CalPERS Employee Engagement Survey.

CalPERS is committed to ensuring accessibility to all team members. The Employee Engagement vendor used from 2017-2019, McLean & Company, did not meet the CalPERS

Web Content Accessibility Guidelines and the firm had no immediate plans to make the content accessible.

A new survey vendor, Perceptyx, was retained that meets the guidelines, offers advanced technology and innovative tools such as a dashboard with survey results and action planning framework. With this transition, the baseline results reported to the Board through Enterprise Performance Management will change. Perceptyx uses a five-point rating scale whereas the previous vendor used a six-point rating scale which means the results for the survey will not be directly compared with previous years' results. The five-point scale has the benefits of making it easier for survey participants to respond more quickly, enhances the comparability of scores with peers, and utilizes industry best practices to differentiate employee sentiment. We have updated the title of the Strategic Measure/KPI to match the category within the survey for ease of reference.

### **Attachment**

Attachment: Diversity Report and Framework Overview

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