



Agenda Item 9

June 13, 2012

ITEM NAME: Quarterly Diversity Report

PROGRAM: Diversity Outreach Program and Investment and Legal Offices

ITEM TYPE: Information Item

RECOMMENDATION

EXECUTIVE SUMMARY

This agenda item provides an overview of the 2011-12 CalPERS Business Plan's diversity and inclusion initiatives and the status of the Diversity Outreach Program (CDOP), the Investment (INVO), and Legal Office's diversity and inclusion (D&I) efforts.

BACKGROUND

As a global investor, public employer, and provider of retirement and health benefits services within the nation's most ethnically and culturally diverse state, CalPERS recognizes diversity and inclusion (D&I) as a competitive advantage that calls for the broadest possible pool of talent, experience, skill, and perspective. The CalPERS Board of Administration acknowledged this by including D&I as an element in the Strategic Plan.

The integrated diversity and inclusion strategy for the Investment Office focuses resources on Portfolio Management and External Outreach initiatives.

The Legal Office's Diversity Project seeks to increase diversity within the pool of outside counsel with which CalPERS contracts for legal services so that the pool reflects California's diverse population, provides a broad spectrum of experience, talent, viewpoints and strategies, and elevates the professional expertise available to CalPERS through contracting opportunities.

Diversity Outreach Program – Internal Operations

The Diversity Executive Steering Committee convened this quarter to focus on what Diversity and Inclusion (D&I) means at CalPERS, and how our various experiences, perspectives and talents make us stronger as an organization.

Staff worked with a team of senior leaders from the Human Resources Division, Investment Office, Office of Support Services Division, Enterprise Strategy and Performance Division, and the Office of Public Affairs and developed a new diversity and inclusion statement and tagline in alignment with our 2012-14 Business Plan and Strategic Plan.

CalPERS new D&I statement and tagline is:

“The combined experiences, perspectives and talents of all employees and stakeholders strengthen our high performance work culture and organization.”

Our Differences = Our Strengths.

By fiscal year end, staff will achieve meeting the final two D&I initiatives as directed in the 2011-12 CalPERS Business Plan, Enterprise Priority 3, Building Internal Strength, Objective 3.2.

On June 4, a web-based tool for D&I was launched. The Employee D&I Training module is now available for all staff. This web-based training provides all staff an opportunity to develop foundational D&I knowledge and demonstrates practical ways to implement D&I behaviors into their daily work environment and decision-making.

The final D&I initiative for FY 2011-12, the D&I Leadership Toolkit, will roll out on June 24th. This toolkit will help managers and supervisors educate themselves on what it takes to build a diverse team and why D&I is important in the workplace. The Toolkit will also offer answers to D&I questions, real life examples, “how to’s”, and exercises and activities to share with their team.

Staff is currently focused on developing new D&I enterprise initiatives for the CalPERS 2012-14 Business Plan.

CalPERS Investment Office

CalPERS investment portfolio includes emerging investment manager programs across all equity asset classifications. New initiatives and current work streams during this reporting quarter include:

Five-Year Plan for Emerging Manager Participation – SB 294

Staff has drafted a work plan of all steps needed to accomplish the legislative mandate including establishment of a cross-asset class team, project milestones and emerging manager definitions. RG & Associates was hired from Diversity Spring Fed Pool to assist with the development of plan. Staff's goal is to present the Five-Year Plan to the Investment Committee via a two-step process: first presentation of the draft Five-Year Plan in August, and second presentation of final Five-Year Plan in December 2012.

New Real Estate Emerging Manager Program

Staff has executed a term sheet with the selected Mentoring Manager and has commenced final contract negotiations. An executed operating agreement is expected no later than August 2012.

Expansion of Private Equity(EP) Program - Emerging Domestic Private Equity Manager Program

Credit Suisse Customized Fund Investment Group (CFIG) was selected as the Emerging Domestic Private Equity fund of funds manager in the PE Program. Staff met with CFIG group in April 2012 to discuss the current investment pipeline. Going forward the CFIG team that is based out of CFIG's Los Angeles office will be on site for monthly updates.

Talent Management Initiative

Staff organized another *Day at CalPERS* event hosting approximately 35 MBA students from surrounding California Universities including UC Davis, Sacramento State, UC Berkeley, and UCLA in May 2012. This event provided an overview of the Investment Office culture, philosophy, investment portfolios, and future plans. During the closing session, students met with Investment Office human resources staff to learn more about current and upcoming employment opportunities and how to complete the State of California application process.

Legal Office

The Legal Office's Diversity Project seeks to increase diversity within the pool of outside counsel with which CalPERS contracts for legal services so that the pool reflects California's diverse population, provides a broad spectrum of experience, talent, viewpoints and strategies, and elevates the professional expertise available to CalPERS through contracting opportunities.

The efforts of the Legal Office in meeting this initiative are two-fold. First, the Legal Office has expanded its external legal counsel contracts by creating pools in five new specialty areas and by entering into contracts with firms reflective of California's diverse population in each of these pools. The Legal Office is looking for opportunities to direct business to these firms as the need for external legal services arises. In addition, staff will monitor and evaluate the services provided by the firms and may recommend any necessary process changes to increase participation and engagement of the firms. Finally, staff continues their outreach efforts to diverse firms through professional organizations to expand the diversity of the law firms with which the Legal Office does business.

Second, the Legal Office will continue its outreach efforts to all contracted law firms to reinforce CalPERS commitment to diversity and inclusion, and to ensure that they share this commitment. To this end, the Legal Office recently surveyed all of the law firms under contract to gather statistics on each firm's woman and minority representation and information on their diversity and inclusion programs and initiatives. Responses to the survey were due April 20, 2012, and staff are still in the process of compiling the voluminous data received. Once the survey results are analyzed, the Legal Office will report them to the Board.

BENEFITS/RISKS

There are no risks associated with this information item.

ATTACHMENTS

(No attachments)

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