



Agenda Item 10

September 12, 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 a quarterly update on Diversity Outreach initiatives and programs across the enterprise.

BACKGROUND

This agenda item highlights activities and initiatives in the following CalPERS organizational divisions:

- CalPERS Diversity Outreach Program
- CalPERS Investment Office – Program areas in the Investment Office are leading several diversity initiatives focused on external business partners, corporate boards, and our internal workforce.
- CalPERS Legal Office

Diversity Outreach Program – Internal Operations

This quarter staff completed action plans and performance measures for Objective 3.4 (Promote cultural diversity and inclusiveness in our workforce and business relations) as directed in the 2012-14 CalPERS Business Plan.

The Diversity Office plan consists of desired outcomes, key performance indicators, current baseline measures, and tactics. The focus for FY 2012-13 is to increase integration of diversity and inclusion (D&I) in all aspects of CalPERS operations and reduce consulting services by implementing the following tactics:

- Sponsoring an annual all staff D&I event focused on the application and integration of D&I concepts
- Enhancing management's D&I competencies by leading quarterly management professional development sessions designed to promote and integrate D&I principles throughout the organization
- Conducting quarterly assessments of communication vehicles to track D&I integration and documenting results
- Obtaining certification for D&I coordinators

Staff developed and executed several D&I tactics this quarter and completed the following activities:

- Adoption of an internal tracking and measuring method for the D&I Employee Web-based Training (Learning Management System)
- Usage of Google Analytics, a tool used throughout the enterprise to provide key visitor metrics data for the division intranet website
- Quarterly Brown Bag Luncheon Series – Generational Jeopardy
- D&I exercise/presentation for the External Affairs Branch Quarterly Staff Meeting

Staff is currently working on D&I activities that are scheduled to be completed by the end of September. The following is a preview of these activities:

- D&I workshop for two separate BNSD Disability Evaluation and Determination Units for both management and staff
- D&I workshop session for all staff in the Retirement Research and Planning Division, Technology Innovation and Strategic Services Division, Enterprise Architecture and Security Services, Architecture Strategy and Governance, Business Strategy Advancement, Business Solution Advancement, Center for Innovation, Office of Risk Management, and Data Management and Administration
- Quarterly D&I Professional Development Session for managers and supervisors
- D&I staff to undergo 32 hours of certified diversity professional training

Investment Office

The Investment Office is working on the following diversity and inclusion initiatives:

Survey of external managers and consultants: Targeted Investment Program (TIP) staff will survey CalPERS external managers and consultants for diversity (women and minorities) in key competency positions. The survey will ask for information regarding any company policies, procedures, or initiatives regarding diversity. The survey is intended to convey CalPERS commitment to diversity, including companies with which we do business. The outcome of the survey will contribute to the investment manager expectations document process lead by the Global Governance Program team.

Track and report minority and women-owned net asset value: TIP staff will track and report the net asset value by asset class managed by minority and women-owned external managers.

Track and report investment proposals received from minority and women-owned firms: TIP staff is finalizing new data specifications for inclusion into the investment proposal submission questionnaire available on CalPERS external website. Beta testing period is anticipated to commence in the third quarter of fiscal year 2012-13. Thereafter, TIP staff will commence to track and report the number of investment proposals submitted by minority and women-owned firms in each asset class.

Track and report on Diverse Director DataSource utilization: Global Governance is leading this initiative and provided an update to the Investment Committee at its August 2012 meeting.

Recruit and retain diverse Investment Office workforce: Investment Policy & Business Services Division (PBSD) is leading our recruiting and retention efforts that include:

- Attend select diversity career fair events
- Post position openings on websites frequently visited by diverse candidates seeking out financial services industry employment opportunities
- Reinforce to our recruiters the requirement for a diverse candidate slate
- Communicate workforce diversity initiative to hiring managers

Legal Office

Historically, the pool of outside counsel firms retained by CalPERS has been predominated by very large, full-service, U.S. law firms. The Legal Office's Diversity Program 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 the CalPERS system through contracting opportunities.

The means for achieving this goal have been two-fold. First, we have expanded our outreach to include smaller-sized and niche law firms, have informed these firms about CalPERS needs for legal services, our contracting processes and our commitment to diversity, and have encouraged these firms to apply to participate in our outside counsel pools. As a result of these efforts, we have added 12 small and specialty practice area law firms to our pool of outside counsel and we are establishing a process for ensuring that these firms are given appropriate consideration for all new assignments.

The second means of achieving the goal of increasing diversity among our outside counsel is to communicate to all of the firms we engage CalPERS' commitment to diversity and inclusion and to encourage these firms to share our commitment. To that end, earlier this year, we surveyed all of the law firms we have under contract (which at that time only included a few of the 12 new firms) to elicit from them statistics about the woman and minority representation at their firms and information about their diversity and inclusion policies, programs and initiatives. Thirty-one firms responded to the voluntary survey.

The following is a summary of the results of the survey. We asked the firms to state the total number of lawyers employed by the firm, and to state the number of attorneys that are male or female, Caucasian or an enumerated minority, a veteran, or disabled. Of the 31 firms that responded to our survey:

- At 32% of the firms (10 firms), 40% or more of the lawyers are women
- At 16% of the firms (5 firms), 50% or more of the lawyers are women
- At 26% of the firms (8 firms), 25% or more of the lawyers (male or female) are minorities
- At 16% of the firms (5 firms), 25% or more of the lawyers are minority women
- At 16% of the firms (5 firms), 25% or more of the lawyers are minority men
- Seven firms employ lawyers who are veterans
- Four firms employ lawyers who are disabled

We also asked for information about the lawyers who are top earners¹ at the associate level and at the partner/shareowner/member level of the firm. We learned that:

- At 88% of the firms that responded with this information,² women represent 25% or more of the top earners at the associate level; and at 24% of these firms, women represent 25% or more of the top earners at the partner/shareowner/member level.
- At 39% of the firms that responded with this information, minority attorneys (male or female) represent 25% or more of the top earners at the associate level; and at 23% of these firms, minority attorneys represent 25% or more of the top earners at the partner/shareowner/member level.

Finally, we asked for information about the firms' diversity and inclusion policies, practices, and programs. We learned the following:

- 77% of the firms (24 firms) have a hiring committee that includes female and/or minority lawyers
- 58% of the firms (18 firms) have a diversity policy
- 42% of the firms (13 firms) have a formal diversity plan

Several of the firms with formal diversity plans shared a copy of those diversity plans with us.

We believe the woman and minority representation within our outside counsel compares favorably to industry leaders in diversity based on the annual ranking by the American Lawyer of large U.S. law firms according to their percentage of minority attorneys and minority partners. The ten highest scoring law firms (that is, firms with the highest percentage of minority lawyers) in the 2011 American Lawyer Diversity Scorecard reported between 19% and 26% minority lawyers and between 9.5% and 18.5% minority partners.

Although the woman and minority representation within our outside counsel is quite good, these statistics are a foundation for growth. During the next year, we will engage outside counsel firms on their woman and minority representation and diversity programs and initiatives and will repeat this survey annually, during the third quarter of each year, and will report the results to the Board soon thereafter.

¹ "Top earner" was defined by the survey as someone earning income in the top quartile of income for the level of lawyer (associate or partner/shareowner/member).

² Several firms surveyed have a policy of not disclosing income information.

BENEFITS/RISKS

There are no risks associated with this information item.

ATTACHMENTS

(No attachments)

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