



## Agenda Item 7c

June 16, 2014

**ITEM NAME:** Investment Office Diversity and Inclusion Initiatives

**PROGRAM:** Targeted Investment Programs

**ITEM TYPE:** Program Reviews – Information

### **EXECUTIVE SUMMARY**

This agenda item provides a status report on Targeted Investment Programs activities focused on Investment Office Diversity and Inclusion Initiatives.

### **STRATEGIC PLAN**

This agenda item supports the CalPERS Strategic Plan goals to improve long-term pension and health benefit sustainability and engage in state and national policy development to enhance the long-term sustainability and effectiveness of our programs. The ability to gain stakeholders feedback can help CalPERS make informed investment decisions. Engagement with stakeholders also assists CalPERS to gain knowledge and establish collaborative relationships to better accomplish the System's investment objectives.

### **BACKGROUND**

CalPERS broadly interprets diversity to mean differences such as age, ethnicity, culture, or gender that result in diversity of thinking. The Investment Office seeks a diverse pool of internal staff, corporate boards, and external investment managers in an effort to attract and retain a highly skilled and diverse workforce that incorporates different ways of seeing and solving problems. As the Investment Office engages in the financial marketplace, diversity is most often focused on women and minority ownership of external investment firms.

This agenda item presents two significant initiatives related to diversity and inclusion. The first, CalPERS Peer Survey: Women and Minority Owned Managers, focuses on comparing CalPERS exposure with diverse managers with a group of our pension peers. The second, CalPERS Investment Manager and Consultant Diversity and Inclusion Survey provides information on women and minority representation in firms hired by the Investment Office. The purpose of these efforts is to better understand our exposure to diverse managers; and to gain insight into the diversity of external managers and by extension the broader financial market place.

## **ANALYSIS**

### CalPERS Peer Benchmark Survey: Women and Minority Owned Managers

In March 2014, staff and Callan Associates presented the results of the emerging manager peer benchmark survey to CalPERS Investment Committee. The report on emerging manager investments was one of the work streams in CalPERS Emerging Manager Five-Year Plan, which the Board of Administration adopted in August 2012. As a result of the emerging manager survey, CalPERS engaged Callan to conduct a follow-up survey, consistent with the prior survey, to examine peer exposure to women and minority owned investment managers.

This current survey (Attachment 1) focuses on the women and minority owned manager exposures of similar U.S. public pension funds. CalPERS objective is to understand investment exposures with women and minority owned managers, and the goals, governance, and operations of each program in order to learn how other programs are implemented and gain insight into the best practices of its peers.

### CalPERS Investment Manager and Consultant Diversity and Inclusion Survey

In January 2014, CalPERS published the *CalPERS Commitment to Diversity and Inclusion Report for Fiscal Year 2012-13* (D&I Report). The D&I Report highlights CalPERS recent accomplishments and continued commitment to diversity and inclusion.

The *CalPERS Investment Manager and Consultant Diversity and Inclusion Survey Report* (Report) (Attachment 3) is an important part of CalPERS 2014 Investment Office diversity and inclusion efforts. The Report presents the results of a survey of current investment managers and consultants on the following topics:

- Firm workforce and key position diversity
- Firm governance diversity
- Firm Diversity and Inclusion Policies, Practices and Programs.

## **BUDGET AND FISCAL IMPACTS**

Not Applicable

## **ATTACHMENTS**

Attachment 1 – *CalPERS Peer Survey: Women and Minority Owned Managers Summary Findings*

Attachment 2 – *CalPERS Peer Survey: Women and Minority Owned Managers Presentation*

Attachment 3 – *CalPERS Investment Manager and Consultant Diversity and Inclusion Survey Report*

Attachment 4 – *CalPERS Investment Manager and Consultant Diversity and Inclusion Survey Presentation*

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