
Investment Office Diversity and Inclusion Update

At the June 17, 2015 Investment Committee meeting, the Investment Office provided a detailed Diversity and Inclusion update. Beginning October 2015, the Investment Office will report Diversity and Inclusion efforts to the Board of Administration with CalPERS enterprise in a common annual report.

Diversity and Inclusion in Fiscal Year 2014-15

The following report provides an update on Investment Office Diversity and Inclusion initiatives that have occurred during the 2014-15 Fiscal Year. Investment Office initiatives focus on three areas: corporate boards, external managers, and talent management.

Investment Office Diversity and Inclusion Steering Committee

To lead Diversity and Inclusion efforts, the Investment Office has established a Diversity and Inclusion Steering Committee (Steering Committee). The Steering Committee is guided by Investment Belief Number 10, “Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives. *Diversity of talent (including a broad range of education, experience, perspectives and skills) at all levels (Board, staff, external managers, corporate boards) is important.*” The Steering Committee develops Diversity and Inclusion goals and priorities, and provides direction and oversight on the three Diversity and Inclusion work streams.

Corporate Boards

CalPERS invests in over 10,000 companies worldwide, and we have a voice as owners. We view board quality and diversity as critical to a company’s performance. We promote diversity in the boardroom through advocacy, engagement, and outreach.

Diverse Director DataSource (3D)

CalPERS is a co-founder of the 3D Database focused on providing a pool of diverse talent for companies looking for skilled individuals to serve as board members. In August, Morgan Stanley Capital International (MSCI) completed its acquisition of GMI Ratings – the previous owner and operator of the 3D Database. CalPERS and CalSTRS continue to work closely with MSCI through this transition. The database has grown to over 750 searchable candidates from across the globe.

Board Quality & Diversity Event – Council of Institutional Investors

On March 31, 2015, CalPERS, CalSTRS and North Carolina Retirement System hosted a side event at the spring Council of Institutional Investors Conference on Board Diversity. A number of topics were covered such as the 30% Coalition and the California Initiative, a new Securities and Exchange Commission (SEC) Petition on Enhanced Disclosure.

New Securities and Exchange Commission Petition on Enhanced Disclosure

On March 31, 2015, CalPERS alongside eight other pension funds, called on the SEC to strengthen disclosure of corporate board diversity. A joint letter was sent to the SEC urging the adoption of a rule requiring corporate disclosure of board nominees' gender, racial, and ethnic diversity, as well as mix of skills, experiences and attributes.

Board Accountability Project – Proxy Access

Proxy Access gives shareowners in the United States the right to nominate director candidates on a company's ballot or proxy statement. This has been longstanding priority for CalPERS to ensure board accountability. NYC Funds filed proxy access shareowner proposals at 75 companies. Companies were selected based upon specific criteria that include Board diversity issues. CalPERS' staff assisted NYC funds by engaging with shareowners and companies and attending annual meetings.

Global Governance Principles

On March 16, 2015, the Investment Committee amended the Global Governance Principles to include sexual orientation and gender identity when assessing Board talent and diversity.

External Managers

CalPERS deploys approximately \$90 billion of capital through external investment managers. As part of our commitment to equality of access, we seek to understand and report the diversity of our external managers and the broader investment industry. We engage with our external managers, our pension peers, and the investment industry broadly on these important issues through our Emerging Manager Five-Year Plan, industry research, and industry conferences and organizations.

Global Equity Internal Equity Brokerage

CalPERS Global Equity trading activity is implemented through a number of brokerage relationships. Members of the brokerage community may apply to be selected as a broker for CalPERS through a web based questionnaire available on CalPERS external website. The semiannual posting of selected brokers on the Investment Office website now includes identification of women and minority-owned brokerage firms. As of June 2015, 24% or five of the 21 brokers authorized to trade for CalPERS are women or minority owned firms.

Webinar: CalPERS Managers and Consultants Diversity

In 2014, staff surveyed all CalPERS investment managers and consultants to better understand the participation of women and minorities in those firms. The survey found very limited participation of women and minorities, particularly in managerial and executive positions. The low representation of women and minorities was compared to, and found to be consistent with Equal Employment Opportunity Commission data on the investment and finance industry broadly. A webinar on the results of the survey was held in September 2014. CalPERS external investment managers, consultants, and stakeholders attended the webinar.

Investment Office Talent Management

The Investment Office, Diversity Outreach Program, and Human Resources Division initiated a project aimed at identifying leading diversity practices to attract, retain, and develop diverse talent for the Investment Office. CalPERS' goal is to implement best practices and establish relationships with diverse organizations. This initiative is ongoing and continued progress will be reported to the Investment Committee.

Investment Office Strategic Partnerships

The Investment Office is developing strategies and establishing partnerships with diverse organizations to work on talent management initiatives. An extensive research and interview process led consultant Heidrick and Struggles to recommend five diverse organizations for partnership with the Investment Office. This work is in the early stages of development of goals and milestones of success.

Diversity Recruitment Efforts

The Investment Office advertises open positions through State and investment focused job sites. In 2014, advertisements were expanded to posting on job boards and newsletters with our diverse stakeholders including New America Alliance, National Association of Investment Companies, National Association of Securities Professionals, Association of Asian American Investment Managers and the Toigo Foundation.