

CalPERS Investment Office 2020 Diversity and Inclusion Plan

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Introduction

As the nation's largest public pension fund, within the nation's most ethnically and culturally diverse state, CalPERS recognizes diversity as a competitive advantage. CalPERS seeks diversity of internal staff, corporate boards, and external investment managers in an effort to secure high functioning teams that incorporate different ways of seeing and solving problems.

For more than 20 years, CalPERS has developed and implemented initiatives and programs aimed at increased diversity on corporate boards and external management firms. CalPERS' dedication to diversity is also demonstrated by the establishment of the Investment Office Diversity and Inclusion Steering Committee (Steering Committee) in 2015 and the integration of diversity and inclusion into the 2015-17 CalPERS Business Plan and 2016-17 INVO Road Map.

Introduction

CalPERS has a fiduciary duty that requires the Board of Administration and staff to work at all times in the best interest of our 1.8 million members. As such, our objective in implementing the Investment Office 2020 Diversity and Inclusion Plan (Plan) is to achieve long term value creation through the effective management of human capital in our workforce and marketplace.

California law prohibits state agencies from discriminating against or granting preferential treatment to any individual or group on the basis of race, sex, color, ethnicity, or national origin. Therefore, CalPERS may not grant preferential treatment based on the above characteristics. However, recent studies reveal a positive correlation between greater diversity in leadership and financial outperformance.¹

¹McKinsey, Credit Suisse

Preamble

It is CalPERS' fundamental belief that diversity, and inclusive cultures that promote diversity, are vital to improving the performance of our own organization as well as the business markets in which we invest.

Purpose

The purpose of the Plan is to provide a strategic framework to be undertaken between January 2016 and June 2020 that will guide Investment Office decisions and engagement, and establish initiatives for diversity and inclusion in the marketplace as well as for Investment Office Talent Management.

Investment Beliefs Guide and Inform the Plan

CalPERS adopted 10 Investment Beliefs in September 2013, which are intended to provide a basis for strategic management of the portfolio, inform organizational priorities, and ensure alignment of interest between the Board and CalPERS staff. In particular, the following Investment Beliefs underpin the work of the Plan:

Investment Belief 10

Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives

Sub-belief:

Diversity of talent (including a broad range of education, experience, perspectives and skills) at all levels (Board, staff, external managers, corporate boards) is important

Investment Belief 4

Long-term value creation requires effective management of three forms of capital: financial, physical and human

Investment Belief 3

CalPERS investment decisions may reflect wider stakeholder views, provided they are consistent with its fiduciary duty to members and beneficiaries

Investment Office Diversity and Inclusion Steering Committee

- In 2015 the Investment Office established the Steering Committee
- The Steering Committee consists of:
 - Chief Investment Officer
 - Chief Operating Investment Officer
 - Managing Investment Director of Global Equity
 - Investment Directors from Global Governance, Investment Manager Engagement Program (formerly Targeted Investment Programs), and Investment Compliance and Operational Risk
 - Select Investment Managers and Investment Officers
- The Steering Committee is responsible for leading the Investment Office on all matters related to diversity and inclusion
- The Plan is developed under the leadership and guidance of the Steering Committee, which is responsible for the development and implementation of the Plan

INVO 2020 Diversity and Inclusion Plan

STRATEGIC FRAMEWORK

The plan details CalPERS’ strategic efforts related to diversity and inclusion in three areas: corporate boards, external managers, and talent management. These three strategic areas are further organized into 8 distinct initiatives as outlined below:



INVO 2020 Diversity and Inclusion Plan | Initiatives

- Each of the 8 initiatives will be further described in a detailed work plan
- Work plans will outline the initiative, goals, process, team, timeline, and desired outcomes
- The Steering Committee will review and approve of each initiative's work plan prior to start of work
- Each initiative will be assigned staff who will provide regular updates to Steering Committee on progress and outcomes

INVO 2020 Diversity and Inclusion Plan | Corporate Boards

Enhance effectiveness of Diverse Director DataSource (3D)

- CalPERS will identify a new home for 3D and develop a five year plan to enhance its effectiveness

Engage with select companies and vote proxies to increase Board Diversity and Quality

- CalPERS will identify and partner annually with selected publicly traded companies that want to improve diversity

Promote Securities and Exchange Commission (SEC) Board Diversity Petition

- CalPERS will continue to work with pension funds and industry stakeholders to advocate for the SEC to expand board diversity nominee disclosure.

INVO 2020 Diversity and Inclusion Plan | External Investment Managers

Continue Implementation of the Emerging Manager Five Year Plan

- Continue strategic framework of the Emerging Manager Five Year Plan through 2020
- Track, manage, and report exposure, performance, and cost of our emerging, transition, and diverse managers
- Continue strong presence in emerging and transition manager networks

Develop Established Manager Outreach and Engagement Initiative

- Survey managers for diverse ownership and management
- Engage managers on diversity and inclusion policies, initiatives and outcomes
- Establish partnership initiative to increase diversity of pipeline of talent entering financial services

INVO 2020 Diversity and Inclusion Plan | Talent Management

Implement Strategic Partner Plan; partners are 100 Women in Hedge Funds, Association of Asian American Investment Managers, CFA Institute, Executive Leadership Council, New America Alliance, and The Robert Toigo Foundation

- Increase the pool of qualified diverse applicants for open positions in INVO
- Build relationships and exchange information
- Network with diverse organizations

Draft and Implement Staff Education and Training Plan

- Executive, Hiring Manager, and Staff diversity and inclusion training
- Leverage existing CalPERS Human Resource and CDOP training
- Target education and training to INVO needs

Establish a Communication Strategy to Improve Staff Knowledge of Diversity and Inclusion Initiatives under the Plan

- Regular diversity and inclusion updates at INVO All-Staff Meetings
- Email Plan updates and diversity and inclusion information to INVO staff

INVO 2020 Diversity and Inclusion Plan | Industry Events

CalPERS will participate in and host industry events that support the three primary work streams: Corporate Boards, External Managers, and Talent Management

- Host Spring CalPERS 2017 Diversity Forum on May 10th in Sacramento
- Attend targeted events and meetings with segments of the industry focusing on a specific issue or work stream at CalPERS, industry conferences, Strategic Partner events

INVO 2020 Diversity and Inclusion Plan | Reporting Requirements

Reporting Requirements

- Under this Plan, staff will deliver annual updates to CalPERS Board of Administration, reporting on progress and accomplishments toward achieving Plan goals