



Investment Committee

Item Number 7 Open Session

Subject: Diversity in the Management of Investments

Presenter(s): LaShae Badelita and Shifat Hasan

Item Type: Information

Date & Time: May 4, 2023 – 20 minutes

Attachment(s): Attachment 1 – Summarized Highlights: CalSTRS Diversity in the Management of Investments Annual Report (2022)

Attachment 2 – Full Report: CalSTRS Diversity in the Management of Investments Annual Report (2022)

PowerPoint(s): Diversity in the Management of Investments

Item purpose

The purpose of this item is to present to the Investment Committee (“IC”) the annual progress and accomplishments of the Diversity in the Management of Investments (“DIMI”) strategy for the calendar year 2022.

Executive summary

Through strategic and business plans and supported by governance oversight, the Diversity in the Management of Investments strategy is aligned with the Enterprise’s organizational principles for diversity, equity and inclusion (“DEI”). Building on nearly three decades of integrating diversity in the management of investments, CalSTRS continued its momentum behind each of DIMI’s three core pillars summarized in Attachment 1: (1) Investment staff; (2) Industry and portfolio company engagement; and (3) Portfolio investments. In 2022, CalSTRS attracted diverse professionals, engaged with companies in our portfolio and investment leaders on a global scale, and invested in emerging and diverse managers.

Background

History

Diversity is a [core value](#) of CalSTRS: “*Strength: We ensure the strength of our System by embracing a diversity of ideas and people.*” Building teams and external relationships that exhibit diversity, equity and inclusion are essential in achieving CalSTRS’ financial and return objectives. CalSTRS’s efforts to expand diversity in the management of investments began over

30 years ago in 1989, with the fund’s first commitment to emerging managers. In 2002, CalSTRS launched a diversity effort in Private Equity called the New & Next Generation Fund of Funds. In 2003, diversity within investments was formally established as a Strategic Initiative of the Investment Committee. As such, diversity is integrated into the overall CalSTRS Investment Policy and Management Plan, where many of the initiatives and goals have been completed by various Investment Branch programs to date. Since 2011, CalSTRS has published an annual progress report of its Diversity in the Management of Investments strategy.

In 2022, the Investment Branch established the “Big Three Initiatives”:

- Collaborative Model: *Identify opportunities to lower costs and be a partner of choice*
- [Net Zero Pledge](#): *Net Zero GHG portfolio emissions by 2050 or sooner*
- [Diversity in the Management of Investments](#): *Expand diversity across the total fund*

Governance and oversight

The Diversity in the Management of Investments strategy is governed by the Investments Diversity Steering Committee. The committee is sponsored by CIO, Christopher Ailman and Deputy CIO, Scott Chan. Chaired by June Kim, Director of Global Equity, the Committee consists of members of the Investments Leadership Team:

<i>April Wilcox</i> Director, Investments Services	<i>Geraldine Jimenez</i> Senior Director, Public Markets
<i>Kirsty Jenkinson</i> Director, Sustainable Investment and Stewardship Strategies	<i>Shifat Hasan</i> Portfolio Manager, Investment Performance and Compliance
<i>Sunny Dhillon</i> Associate Portfolio Manager, Fixed Income	<i>Sarah Maile</i> Associate Portfolio Manager, Sustainable Investment and Stewardship Strategies

CalSTRS Investments Diversity Officer, LaShae Badelita, is responsible for the development and implementation of the Diversity in the Management of Investments strategy under the guidance of the Diversity Steering Committee. Ms. Badelita (1) reports directly to Deputy CIO Scott Chan, (2) seeks direction from the Investments Diversity Steering Committee and (3) collaborates with each asset class Director and the Diversity Team, which is made of investment professionals across the total fund.

Communication and reporting

Under the Diversity in the Management of Investments strategy, the Investments Branch participates in many informal and formal interactions to exchange knowledge and industry best practices across functional teams. These opportunities allow the CalSTRS Enterprise and Investments Branch to remain unified as an organization. In addition to various informal

interactions, the following are formal forums where the Enterprise and Investments participate in:

- Diversity Inclusion Council led by Human Resources
- Diversity Team led by Investments
- DEI Communication Check-In
- [Quarterly CalSTRS DEI Engagements in Action](#)
- [Annual Diversity in the Management of Investments Progress Reports](#)

In March 2023, CalSTRS released its 2022 Annual Report - Diversity in the Management of Investments. Summarized highlights of the report are included as Attachment 1. The full report is included as Attachment 2.

Next Steps

- Investments Branch will develop and present a Work Plan for DIMI to the Investment Committee in September 2023.
- Investments Branch will actively participate in Guidehouse’s onboarding, when appropriate. Under the oversight of CalSTRS Human Resources, Guidehouse will work as a trusted advisor and partner to perform an organizational assessment and establish a Diversity and Inclusion Program on behalf of CalSTRS.

Strategic Plan Linkage:

Enterprise

- [CalSTRS Enterprise Core Value](#): *“Strength: We ensure the strength of our system by embracing a diversity of ideas and people.”*
- [CalSTRS Enterprise 2022-25 Strategic Plan](#): *“Goal 1: Trusted stewards – Diversity, equity and inclusion efforts drive organizational outperformance.”*
- [CalSTRS Enterprise 2022-23 Business Plans](#): *“4-D-6 – Incorporate diversity, equity and inclusion across all CalSTRS practices.”*

Investments

- CalSTRS Investments Core Values: *“Respect – We strive to not only treat others as we would like to be treated, but to go the extra mile and treat others as they would like to be treated.”*
- [CalSTRS Investments Diversity Statement](#): *“CalSTRS Investments Diversity Statement: “Diversity supports CalSTRS’ mission to secure the financial future and sustain the trust*

of California’s educators. We believe diversity of experience, background, skills, gender, race, culture and all the ways people can differ from one another — visibly and not — produces a diversity of thought that leads to better decision-making and better results. The Investments Branch is committed to measuring and managing our progress in educating, attracting, hiring, developing, promoting, paying, partnering with, and investing in a diverse array of practitioners within CalSTRS and across the financial markets.”

- [CalSTRS Investments 2022-23 Business Plans](#): “Investments Big Three Initiatives – Expand diversity across the total fund.”

Board Policy Linkage:

- [CalSTRS Investment Policy and Management Plan](#).

Optional Reference Material: *(prior board items, supplemental educational materials, etc.)*

- CalSTRS Bill Analysis: [AB 890 \(Cervantes\) – Emerging manager report](#)
- CalSTRS Investment Committee, May 2022: [Annual Update & AB 890](#)
- CalSTRS Teachers Retirement Board, March 2023: [Update on Incorporating Diversity, Equity and Inclusion across the Enterprise](#)