



# Investment Committee

## Item Number 7a Open Session

**Subject:** Diversity, Equity, and Inclusion Education - Diversity in Management of Investments: Staff Update

**Presenter(s):** Scott Chan, Shifat Hasan, and LaShae Badelita

**Item Type:** Information

**Date & Time:** November 1, 2023 – 10 minutes

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**Attachment(s):** None

**PowerPoint(s):** CalSTRS Staff, CalSTRS Diversity in the Management of Investments

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### **Item purpose**

In [May 2023](#), the Investment Committee (the committee) directed staff to present education on diversity, equity and inclusion best practices and specifically hear from industry leaders and managers. In response, staff is bringing a two-part educational session over this meeting and the next committee meeting in January 2024.

Agenda item 7 is the first of this education and is compartmentalized into 7(a) and 7(b). The purpose of item 7(a) is for CalSTRS staff to provide a brief update on CalSTRS Diversity in Management of Investments (DIMI) strategy to date as a preamble to the panel discussion in item 7(b).

### **Executive Summary**

The objective of the education is to understand the crucial elements and best practices of Diversity, Equity, and Inclusion (“DEI”) currently and for the future of the investment industry – both in the public and private markets. As part of the education, external experts with diverse, cross-disciplinary, applicable DEI knowledge will share their insights, alongside CalSTRS staff, in a series of presentations and discussions, with time for Q&A and board reflections. The educational sessions are meant to give the committee insights into DEI practices and initiatives in the investment industry and provide insight into areas where it may be beneficial for CalSTRS to collaborate on efforts with partners who are aligned with CalSTRS’ strategic goals and objectives.

## **Background**

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 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.

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 as outlined in published documents Attachment 1 and Attachment 2.

- **Pillar #1 - Internal Investments Branch.** Workforce diversity brings advantages to organizations through increased profitability, enhanced creativity, stronger governance and problem-solving abilities.
- **Pillar #2 - Portfolio Company Engagement.** Diversity is crucial to companies’ long-term financial success. Along with our investment industry partners, we continue to influence global markets by steering changes in board and workforce diversity.
- **Pillar # 3 - Portfolio Management.** Approximately half of the CalSTRS portfolio is managed internally by staff, so the diversity of the team (Pillar 1) is a critical component of this Pillar 3. CalSTRS has been a long-time supporter of, and investor in, emerging managers and remains committed to nurturing relationships with emerging managers and diverse managers in the industry.

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### **Strategic Plan Linkage:**

- [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.*”

### **Board Policy Linkage:**

- [CalSTRS Investment Policy Statement](#)
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**Optional Reference Material:** *(prior board items, supplemental educational materials, etc.)*

- 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.”*
- [Summarized Highlights: CalSTRS Diversity in the Management of Investments Annual Report \(2022\)](#)
- [Full Report: Diversity in the Management of Investments Annual Report \(2022\)](#)
- [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.”*
- CalSTRS Bill Analysis, AB 890 (Cervantes) – Emerging managers report: [May 2021](#)
- CalSTRS Investment Committee, DIMI Annual Updates: [May 2022](#) and [May 2023](#)
- CalSTRS Teachers Retirement Board, Update on Incorporating Diversity, Equity and Inclusion across the Enterprise: [March 2023](#)