



# Investment Committee

## Item Number 9 Open Session

**Subject:** Diversity in the Management of Investments – Annual Update

**Presenter(s):** Shifat Hasan and LaShae Badelita

**Item Type:** Information

**Date & Time:** May 1, 2024 – 20 minutes

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**Attachment(s):** Attachment 1 – Summarized Highlights: CalSTRS DIMI Annual Report (2023)

Attachment 2 – CalSTRS DIMI Governance: Internal Steering Committee & Team

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

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### **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.

### **Recommendation**

This is an information item. Staff is seeking the IC’s acceptance of the Diversity in the Management of Investments Annual Report.

### **Executive summary**

Through strategic and business plans and supported by governance oversight, the DIMI strategy is aligned with the Enterprise’s organizational principles for 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 2023, CalSTRS attracted diverse professionals, engaged with portfolio and investment leaders on a global scale, and invested in emerging and diverse managers.

## **Background**

### **History**

CalSTRS places a strong emphasis on diversity as a [core value](#), recognizing the importance of embracing a variety of ideas and individuals to ensure the sustainability of the System. Building diverse teams and fostering inclusive external relationships are crucial in meeting CalSTRS' financial and return objectives. CalSTRS commitment to expanding diversity in investment management dates back to 1989, with initiatives such as the support for emerging managers. Over the years, CalSTRS has continued to prioritize diversity within its investment strategies. In 2003, diversity within investments became a formal Strategic Initiative of the Investment Committee, further solidifying its importance. This commitment to diversity is reflected in the overall CalSTRS Investment Policy and Management Plan, with various programs within the Investment Branch working towards achieving diversity goals. CalSTRS has been transparent about its progress in this area, [publishing an annual progress on its DIMI](#) strategy since 2011.

### **Total fund approach**

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

|  |   |
|--|---|
| ▪ <b>Collaborative Model</b>             | <i>Identify opportunities to lower costs and be a partner of choice</i> |
| ▪ <b><a href="#">Net Zero Pledge</a></b> | <i>Net Zero GHG portfolio emissions by 2050 or sooner</i>               |
| ▪ <b><a href="#">DIMI</a></b>            | <i>Expand diversity across the total fund</i>                           |

### **Governance and oversight (Refer to Attachment 2)**

CalSTRS DIMI strategy is governed by the Investments Diversity Steering Committee, known as SteerCo. The SteerCo is sponsored by Chief Investment Officer and Deputy CIO. The SteerCo is currently chaired by Director of Global Equity and includes members of Investments Leadership. The Investments Diversity Officer, LaShae Badelita, plays a key role in seeking guidance from the SteerCo and collaborating with asset class Directors and the Diversity Team, which comprises investment professionals from across the total fund.

### **Communication and reporting**

Under the DIMI strategy, the Investments Branch engages in both informal and formal interactions to share industry best practices and reporting across functional teams. These interactions help maintain unity within the organization. Various forums are utilized for communication and reporting purposes to facilitate collaboration between the Enterprise and Investments.

| <b>Communication</b>                                  | <b>Reporting</b>  |
|---|---|
| ▪ <i>DEI Communication Check-In led by Enterprise</i> | ▪ <a href="#">Annual Enterprise Sustainability Report</a>     |
| ▪ <i>Diversity Council led by Human Resources</i>     | ▪ <a href="#">Quarterly CalSTRS DEI Engagements in Action</a> |
| ▪ <i>Diversity Team led by Investments</i>            | ▪ <a href="#">Annual DIMI Progress Reports</a>                |

In March 2023, CalSTRS released its 2023 Annual Report - Diversity in the Management of Investments. Summarized highlights of the report are included as Attachment 1. The full report is accessible via CalSTRS webpage: [DIMI](#).

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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 2023-24 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 2023-24 Business Plans](#): “Investments Big Three Initiatives”

Board Policy Linkage:

- [Investment Policy Statement - March 2024 \(calstrs.com\)](#)

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

- CalSTRS Bill Analysis, AB 890 (Cervantes) – Emerging Managers Report: [May 2021](#)
- CalSTRS DIMI Annual Reports: [2022](#) & [2023](#)
- CalSTRS Teachers’ Retirement Board, Incorporating DEI across the Enterprise: [March 2023](#) & May 2024
- CalSTRS Investment Committee, DIMI Annual Updates: [May 2022](#) & [May 2023](#)
- CalSTRS Investment Committee, DIMI Work Plan (Best Practices): [November 2023 Part A](#) & [Part B](#)
- CalSTRS Investment Committee, DIMI Work Plan (Case Studies): [January 2024 Part A](#) & [Part B](#)