



Regular Meeting

Item Number 3 – Open Session

Subject: Update on Incorporating Diversity, Equity and Inclusion across the Enterprise

Presenter(s): Lisa Blatnick and Scott Chan

Item Type: Information

Date & Time: March 1, 2023 – 20 minutes

Attachment(s): None

PowerPoint(s): Update on Incorporating Diversity, Equity and Inclusion across the Enterprise

Item Purpose

The purpose of this item is to provide the board an update on enterprise diversity, equity and inclusion (DEI) activities at CalSTRS, including an overview of efforts to incorporate DEI into our business processes and investment practices.

Executive Summary

At the April, 2022 meeting, the board requested regular updates on how we integrate sustainability considerations across the enterprise. The first update focused on enterprise sustainability activities and was presented to the board [September 2022](#). We recognize a commitment to DEI grows and fosters an engaged workforce, resulting in a sustainable organization. Therefore, our DEI activities across the enterprise and outreach programs within the industry are an integral part of our sustainability efforts.

At CalSTRS, we have a long history of supporting DEI. The 2022-25 Strategic Plan continues our commitment to being a sustainable organization, by setting a goal to shape a resilient, sustainable, blended workforce that reflects fully integrated DEI practices. Our focus is to be a destination employer, enriching internal talent and prioritizing DEI in the workplace.

The 2022-23 Business Plan includes initiatives to support our DEI commitment, including:

- Integrating DEI across the Investments Branch, including our influence on global markets via company engagement and expanding outreach opportunities through diversity forums.

- Incorporating DEI into all CalSTRS practices, including conducting an assessment and creating a roadmap of consultant-recommended actions and promoting DEI principles and activities on Central (CalSTRS intranet) and CalSTRS.com.

Background

Diversity is a [core value](#) of CalSTRS: “Strength: We ensure the strength of our system by embracing a diversity of ideas and people.” The Diversity & Inclusion (D&I) organizational effort started more than a decade ago to support this core value through an initiative to attract, recruit, and support a diversified workforce reflective of CalSTRS members and their beneficiaries and California's population. A D&I Vision was developed by executive staff to create a guiding statement about D&I at CalSTRS.

Diversity & Inclusion Vision

CalSTRS welcomes and embraces diversity of thinking, background and experience to enhance our culture and drive business success. By working together to respect, value and include each individual's perspectives, CalSTRS empowers staff to perform their best work toward the fulfillment of our mission.

The board aligns with the organization's long history on DEI matters and has been strategic and thought partners on leveraging and supporting DEI in how we invest our portfolio and conduct business. At the April 2022 meeting, the board and executives engaged in a discussion surrounding DEI efforts at the enterprise level and through our diversity in the management of our investments. The Chief Executive Officer (CEO), Cassandra Lichnock along with the Chief Investment Officer (CIO), Chris Ailman, refreshed the board on our DEI journey thus far and our approach to broaden our efforts at the enterprise level. During the April meeting, the board also received an education session with the focus of DEI as part of human capital management. The session featured a guest speaker and expert Deborah Gilshan, a highly regarded advisor on DEI matters.

Future CalSTRS efforts will continue to embrace the D&I vision by implementing the following in support of incorporating DEI into our everyday culture.

Hybrid Working Environment

All staff have transitioned to a hybrid work environment and have returned to working in the office according to their respective hybrid work schedules. Significant events/activities have also returned to in person. For example, new employee onboarding sessions, such as Welcome Aboard and Building and Life Safety, and Quarterly recognition events are now conducted in-person, as well as a combination of hybrid quarterly enterprise and business performance reviews. Leadership is honing their skills in navigating productive meeting experiences when leveraging in-person, virtual or hybrid meetings. Leadership development sessions continue to be offered to support leaders on effective ways to lead their blended teams in a hybrid work environment.

Technology

CalSTRS staff have been provided with two sets of IT equipment that include monitors, docking stations, cameras, keyboards, and mice for both home and office. The equipment is setup the same way to facilitate a seamless transition between working at home and in the office. A softphone was deployed to all staff which allows for making and receiving phone calls anywhere. Multiple communication tools such as Zoom and Microsoft Teams were implemented to provide different modes of collaboration such as instant messaging, whiteboarding, video conferencing, document co-authoring and sharing. All the conference rooms at Headquarters and the Member Service Centers (MSCs) are equipped with audio-visual conferencing capabilities where on-site and remote attendees can fully engage and participate in the discussions. Last year a new remote access technology, myVirtualNetwork, was implemented that further enhances the ability for staff to work from anywhere and provides access to all the applications and information consistently. Technology Services staff continue to identify and evaluate new technology capabilities that enable CalSTRS staff to connect, engage and do their best work regardless of their work location.

Sustainability and Innovation

We regularly report on investment and enterprise DEI activities in the [Diversity in the Management of Investments](#) report and [Sustainability Report](#).

Our recently posted [2021–22 Sustainability Report](#) includes DEI as a key topic within our social impact section. The report references the Global Reporting Initiative Sustainability Reporting Standards, which require employee demographic and diversity reporting. We report our total number of employees, gender and ethnic diversity statistics, and the percent of employees represented by collective bargaining agreements.

The Enterprise Sustainability team is evaluating additional sustainability frameworks and relevant human capital management measures for future reporting. Our goal is to identify opportunities to strengthen our enterprise sustainability efforts.

Research shows that diversity in leadership creates an environment where novel ideas can be heard. This will be important as CalSTRS develops its formal innovation program. In alignment with the [2022–25 Strategic Plan](#), Goal 2, we must innovate to grow resiliency and efficiency in service of our members.

Monthly DEI Video Message from Cassandra Lichnock

CalSTRS' CEO, Cassandra Lichnock is passionate about DEI and recognizes the far-reaching impacts within all staff's lives, as well as fulfilling CalSTRS's mission to its members. To help CalSTRS remain the best place to work, Cassandra records a monthly DEI message to all staff.

The videos are sent to staff at the start of each month and featured on the internal DEI Site.

Training

All staff receive foundational level D&I training as part of their Onboarding. The Diversity & Inclusion: Power of Difference course was designed as a 1-day in person training and adapted to a virtual training series through the pandemic. Staff returned to in-person training in January 2023.

Topics for this course include:

- Defining Diversity and Inclusion at CalSTRS.
- Building strong relationships in the workplace through personal identity.
- Building respect in the workplace.
- Stereotypes, unconscious bias, and techniques for combatting both.
- Communicating across differences.
- Building an inclusive organization.

The D&I training will be refreshed in 2022-23 to include topics such as building trust within teams, intentional inclusion, and a focus on equity. The training will incorporate a variety of learning modalities such as videos, computer-based training micro-learnings, and in-person discussions.

Inclusion Council

The Inclusion Council works collaboratively to promote, pursue, and engage a CalSTRS culture that fosters diversity, equity and inclusion through respect, understanding, and compassion. It is made up of CalSTRS staff that are passionate about D&I, and representative of all CalSTRS branches, as well as various identity groups.

In FY 2022-2023, the Council has been working to define Equity within CalSTRS, as well as consult on DEI competency efforts in workforce planning. The Inclusion Council also added ten new members in January 2023, representing each branch of the organization. Campaign efforts to include MSC staff membership are continuing.

DEI Site

An intranet DEI Site provides staff a way to strengthen their DEI knowledge and presents topics through fun and educational article and videos. The site is updated monthly by the D&I Specialist and was just refreshed and transitioned to an updated platform. This effort has resulted in a more engaging experience and accessible content on future facing technology.

Procurement Practices

The Procurement Management Division (PMD) has taken several actions in support of sustainability goals. This includes the expansion of DEI within the department's Request for Proposal solicitation process. In March 2022, a solicitation was released to hire a DEI consultant in which a survey was included as part of the proposal questionnaire to understand the proposer's organizational approach, goals, and objectives as they relate to DEI.

PMD is in the process of expanding the inclusion of the survey to all RFP's that are advertised to the vendor community. As was the case with the DEI consultant RFP, PMD would inform vendors that the survey is mandatory in order to be considered for an opportunity. Legal Services is developing a policy that will govern the process. During the policy development, the PMD is testing different software platforms that will automate the survey. In addition, this will allow the division to capture data for reporting purposes.

CalSTRS also supports the State of California's efforts to achieve participation goals of 25% Small Business and 3% participation of Disabled Veterans Benefit Enterprises. CalSTRS currently has a DVBE participation policy. The latest Consolidated Annual Report submitted to the Department of General Services indicated 12% SB and 6% DVBE procurement participation at CalSTRS. SB participation increased by 4% over the previous year even though it was short of the 25% goal.

With the passage of Assembly Bill 2019, PMD is also looking forward to further developing processes that will support business enterprises owned by women, minorities, and members of the LGBTQ community. This includes the development of an Outreach Team, Small Business Purchasing Policy, and training for CalSTRS employees. The Bill would also require the CalSTRS small business liaison to develop an "economic equity first" action plan to be adopted by January 1, 2024. PMD will continue to provide annual reports to track progress after these initiatives are implemented.

Investments Branch DEI Efforts

Diversity in the Management of Investments

In support of CalSTRS' mission to secure the financial future and sustain the trust of California's educators, CalSTRS efforts to expand [Diversity in the Management of Investments \("DIMI"\)](#) began over 30 years ago, with the fund's first capital commitment to emerging managers. In the following years, diversity within investments was formally established as a Strategic Initiative of the Investment Committee and the Investments Branch and integrated into [CalSTRS Investment Policy and Management Plan](#).

In 2022, the Investments 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

Investments is committed to setting best practice precedents, implementing innovative diversity, equity, and inclusion principles, and advancing change within the investment industry.

Elaborated below are the three core pillars of DIMI: (1) Internal Investments Branch, (2) Portfolio Company Engagement and (3) Portfolio Management.

1. **Internal Investments Branch.** CalSTRS believes workforce diversity brings advantages to organizations through increased profitability, enhanced creativity, stronger governance, and problem-solving abilities. Through its Investment Mentor and Student Intern Programs, CalSTRS Investments - in collaboration with CalSTRS Human Resources - continue to build and support a highly qualified diverse pipeline and workforce.

Additionally, CalSTRS Investments hosts events addressing and promoting diversity, equity, and inclusion within the broader investment industry. Events include but are not limited to the CalPERS and CalSTRS Diversity Forum and the CalSTRS Beyond Talk workshop series – which offers education and practical tools. These events are attended by an array of industry professionals and CalSTRS Board and staff across the Enterprise.

Moreover, CalSTRS has established collaborative relationships across a vast network of industry associations: [CFA Institute](#), [Association of Asian American Investment \(AAAIM\)](#), [Hispanic Heritage Foundation \(HHF\)](#), [The Investment Diversity Exchange \(TIDE\)](#), [New America Alliance \(NAA\)](#), [National Association of Securities Professionals - Southern California Chapter \(NASP-SoCal\)](#), [Girls Who Invest \(GWI\)](#), [100 Women In Finance](#), [The Robert Toigo Foundation \(TOIGO\)](#), [The Milken Institute](#) and [Stanford’s VMware Women's Leadership Innovation Lab](#).

2. **Portfolio Company Engagement.** As a significant investor in global companies, we recognize that 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. Details on CalSTRS DEI-related engagement activities were presented at the [January 2023 Investment Committee](#) meeting and can also be found through the coalitions that CalSTRS works with the [Thirty Percent Coalition](#), [Human Capital Management Coalition](#) and California Investors for Effective Board Diversity.

3. **Portfolio Management.** CalSTRS remains committed to its relationships with emerging managers and diverse managers within the industry. In 2022, CalSTRS adopted [Board approved definitions of emerging manager and diverse manager](#). The Board also approved staff to (consistent with its fiduciary duties) pursue and invest in emerging managers and diverse managers that generate performance that is aligned with the risk and return objectives of the investment portfolio.

With the support of the [Investment Committee in 2022](#), the Investments Branch continues to make progress on its Strategic Roadmap for the Diversity in the Management of Investments strategy. The Strategic Roadmap has four core objectives and underlying guided actions toward the production and implementation of CalSTRS Investments Long-Term Diversity Strategic Plan. The purpose of the Long-Term Diversity Strategic Plan is to: (1) formalize the programs and initiatives that CalSTRS Investments currently has in place and (2) set forth new goals that continues to embrace, expand, and deepen impact of diversity within the investment management of the CalSTRS investment portfolio.

Investments Branch Collaboration with Enterprise

CalSTRS Investments Branch continues to strengthen its partnership across the enterprise by way of alignment, support and/or collaboration in three main areas: (1) Organizational Principles, (2) Talent Management and (3) Communication Forums.

1. **Organizational Principles.** The Investments Branch is united with the Enterprise in setting organizational principles for DEI through cohesive strategic and business plans:
 - 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.”*
 - 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 2022-23 Business Plans: *“Investments Big Three Initiative – Expand diversity across the total fund.”*

- CalSTRS Investments Diversity Definition: *“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.”*

2. Talent Management

The CalSTRS Human Resources team is a strong, critical strategic partner to the Investments Branch in pursuing its internal staff diversity and sourcing talent from diverse platforms.

- Recruitment: Implement and conduct inclusive and equitable hiring and onboarding practices, including posting open job positions on affinity networks to produce a diverse pool of candidates.
- External DEI Consultant: As the Enterprise continues to work with the DEI consultant, Guidehouse, to finalize the contract, the Investments Branch will actively participate in Guidehouse’s onboarding when appropriate.

3. Communication Forums

The Investments Branch participates in various enterprise-wide initiatives to promote and support the organization’s DEI efforts. Through many formal and informal interactions, there is sharing of knowledge and industry best practices between cross functional teams. These touch points and collaboration with the Enterprise help us stay unified and on top of trends and modern practices as an organization. In addition to various informal interactions, following are a few formal forums Investments and the Enterprise participate in:

- Diversity Inclusion Council led by Human Resources
- Diversity Team led by Investments
- DEI Communication Check-In

Reporting DEI

CalSTRS provides DEI information through various reports: Diversity in the Management of Investments, Sustainability Report.

Diversity in the Management of Investments

CalSTRS is committed to setting best practice precedents, implementing innovative diversity and inclusion principles, motivating positive change, and advancing the world’s investment markets. We do this by establishing collaborative relationships across a vast network of investment managers, portfolio companies and industry associations in order to maximize returns and leverage opportunities for positive change.

The [Diversity in the Management of Investments report](#) can be found on CalSTRS website.

Sustainability Report

CalSTRS advances sustainability practices that promote long-term value creation, responsible investment strategies, stewardship of our natural resources and engagement with our stakeholder community.

The [Sustainability Report](#) can be found on CalSTRS website. DEI information on pages 32-34.

DEI Initiatives and Goals: FY2022-2025

Internal DEI Initiatives

As mentioned in the 2022-2025 Strategic Plan, CalSTRS strives to be known as trusted stewards, innovators who adeptly manage change, and a sustainable pension organization. The internal DEI initiatives closely align with the 2022-2025 strategic plan goals to assess organizational readiness and build capabilities, and is mentioned within Goal 3, Objective A – Shape a resilient, sustainable, blended workforce that reflects fully integrated diversity, equity and inclusion practices.

CalSTRS has, through an RFP process in 2022, secured the assistance of Guidehouse, an expert in the field of diversity, equity, and inclusion. FY 2022-2025 goals will occur in three phases: Assessment, Design, and Implementation. We continue to work with Guidehouse to finalize the contract and look forward to kicking off our partnership.

Strategic Plan Linkage:

Board Policy Linkage:

Regular Meeting – Item 3

March 1, 2023

Page 10

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