



Diversity in the Management of Investments

Investment Committee - May 5, 2022

Investments Branch definition of Diversity

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.

We are

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.

Investment Committee

Agenda Item 4a – Open Session – Action Item

Diversity in the Management of Investments
AB 890

Committee action Items: AB 890 definitions

Emerging Manager



Diverse Manager



Objective regarding participation of emerging and diverse managers



AB 890 Overview

Contract Date.

Based on contracts that the system enters into on and after January 1, 2022

Commencement Date.

March 1, 2023; and annually thereafter

Sunset Date.

March 1, 2028

Reporting requirements

Current: Volunteer

Definition of emerging manager by asset class

Minimum qualifications to be an emerging manager within the portfolio

Process of considering investments with emerging managers

Aggregated total assets under management by emerging managers

Activity completed within the emerging manager portfolio



New: AB 890



Name of each emerging or diverse manager

Amount managed by each emerging or diverse manager

Year the emerging or diverse manager was first engaged or contracted

Total amount allocated by the system in applicable asset class

Total amount of the asset class in the system's investment portfolio

Emerging Manager vs. Diverse Manager



Definition *varies*
across asset classes

**Based on
Investments Stage**

Definition *same*
across all asset classes

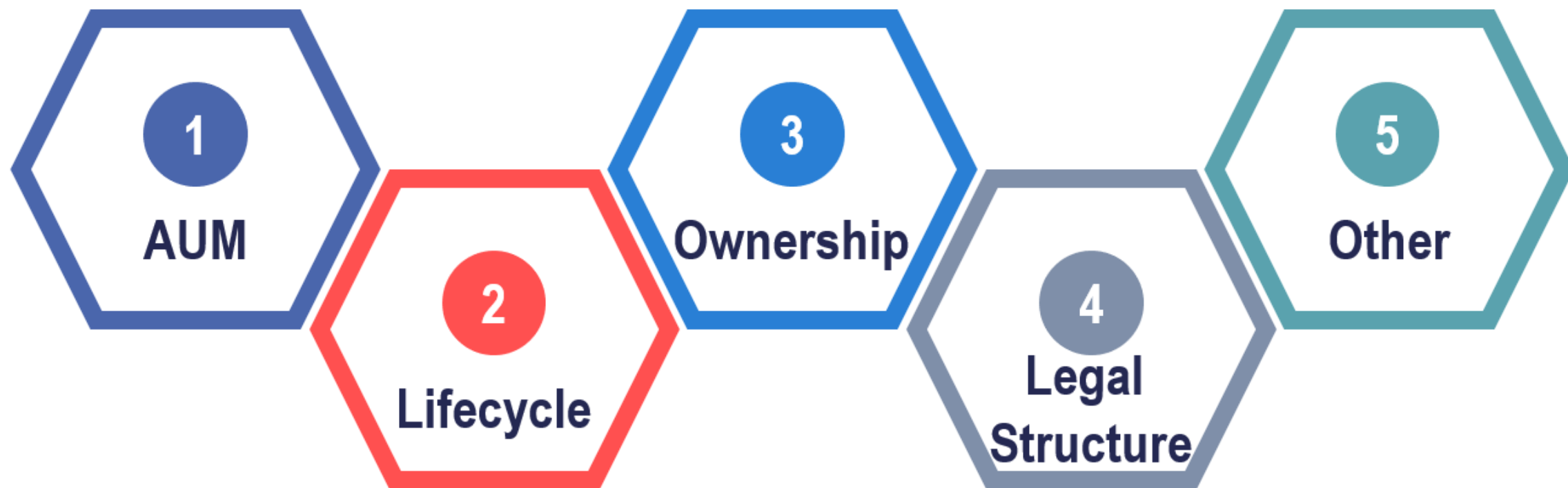
**Based on
Firm Ownership**

Emerging Manager

Ranges between
\$1.5 Billion to \leq \$5 Billion

Maximum of 50 %

Variation of Track Record,
Investor Advisor Registration Status



Variation of 1st – 5th institutional
funds; separate accounts; joint
ventures; and vehicles

Entity with
Corporation Tax
Identification

Emerging Manager definition

	Global Equity	Fixed Income	Risk Mitigating Strategies	Private Equity	Real Estate	Inflation Sensitive
AUM	≤ \$5 Billion	≤ \$5 Billion	≤ \$2 Billion	≤ \$1.5 Billion	≤ \$2 Billion (Gross) for all clients	≤ \$3 Billion
Lifecycle	N/A	N/A	N/A	1st – 5th institutional funds; [Co-investments w/ emerging managers]	1st – 3rd institutional funds/SA/JV; Latest Fund Offering(s). ≤\$500M equity with targeted strategies	1st, 2nd, or 3rd time vehicle ≤ \$1.5B
Ownership (Non-Employee)	Maximum 50%	Maximum 50%	Maximum 50%	Maximum 50%	Maximum 50%	Maximum 50%
Legal Structure	Entity with Corporate Tax Identification	Entity with Corporate Tax Identification	Entity with Corporate Tax Identification	Entity with Corporate Tax Identification	Entity with Corporate Tax Identification	Entity with Corporate Tax Identification
Other	Registered investment advisor or must qualify for registration exemption	Registered investment advisor or must qualify for registration exemption	≤3-year track record	Private Placement Memorandum for the investment being raised	N/A	Private Placement Memorandum for the investment being raised

Diverse Manager definition

Substantially Diverse

A firm that is 25% to 49% owned by women, ethnic minority group, and/or a person of the LGBTQ community

Majority Diverse

A firm that is 50% or more owned by women, ethnic minority group, and/or a person of the LGBTQ community

Implementation plan



Investment Committee

Agenda Item 4b – Open Session – Information Item

Diversity in the Management of Investments
Annual Progress Report

Pivotal milestones



Footnotes: (a) 2021 Diversity in the Management of Investments Annual Report Progress Report reflects data ending and activities completed in calendar year 2021.

Key highlights

Industry Events



CalSTRS Beyond Talk
100+ attended

**CalSTRS and CalPERS
Diversity Forum**
~ 400 attended

External Industry Advisory Boards



CFA Institute DEI Code
Assisted in development

Internal Talent Management



**Diverse Staff
Composition**

Investments Programs



Inflation Sensitive
committed capital to
new emerging manager

Corporate Board Diversity



Thirty Percent Coalition
250 engaged;
127 women appointed

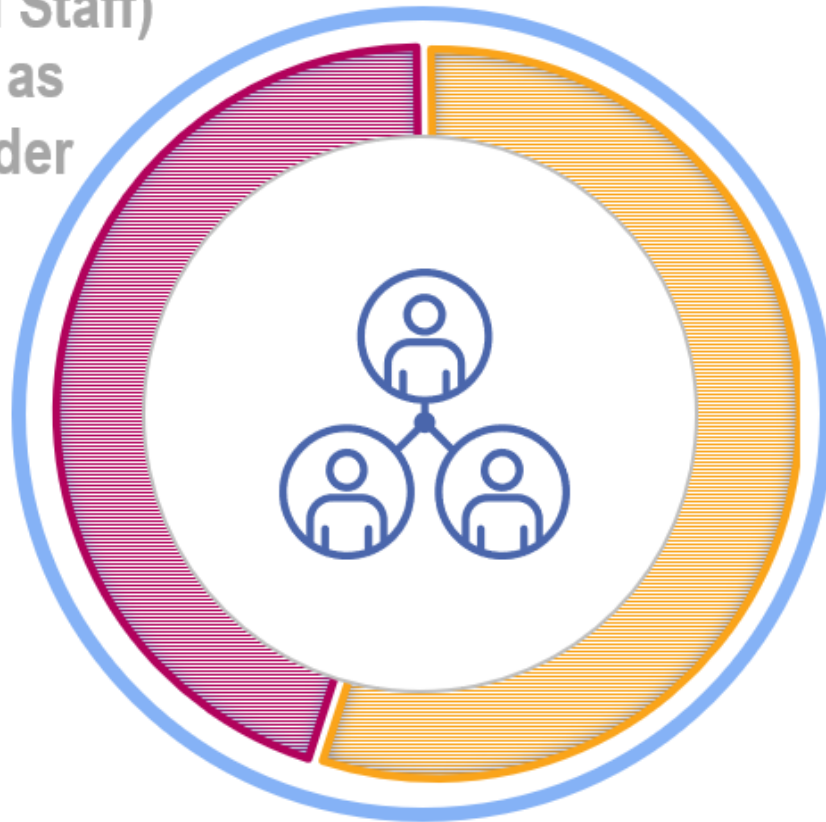
Footnotes: (a) 2021 Diversity in the Management of Investments Annual Report Progress Report reflects data ending and activities completed in calendar year 2021.

Internal staff diversity

Investments Branch - Total Staff Count: 212

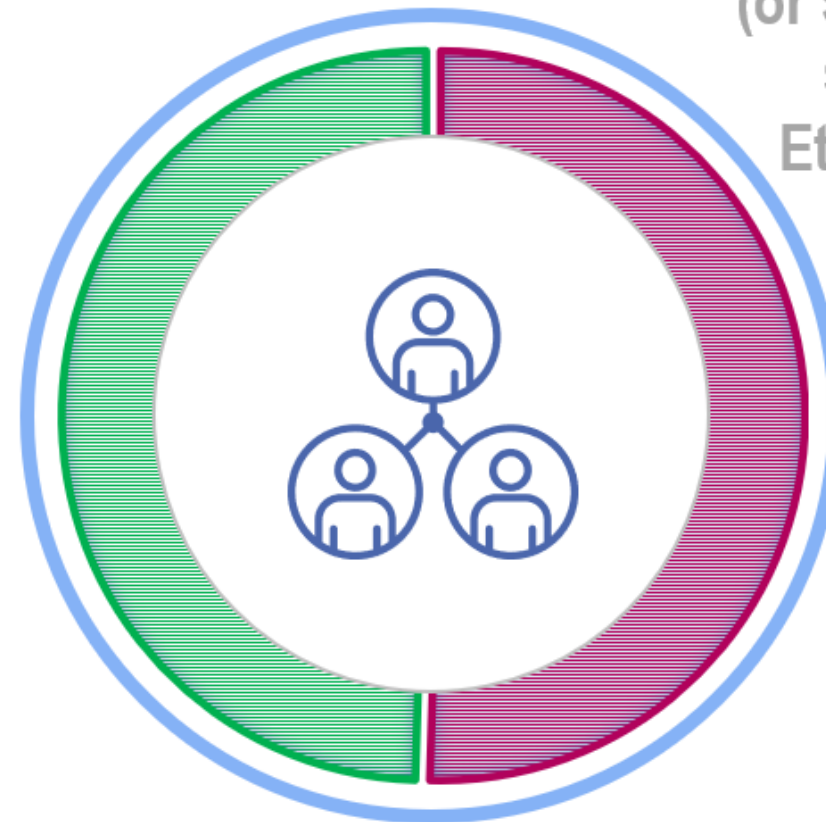
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(or 45% of Total Staff)
self identify as
Female Gender



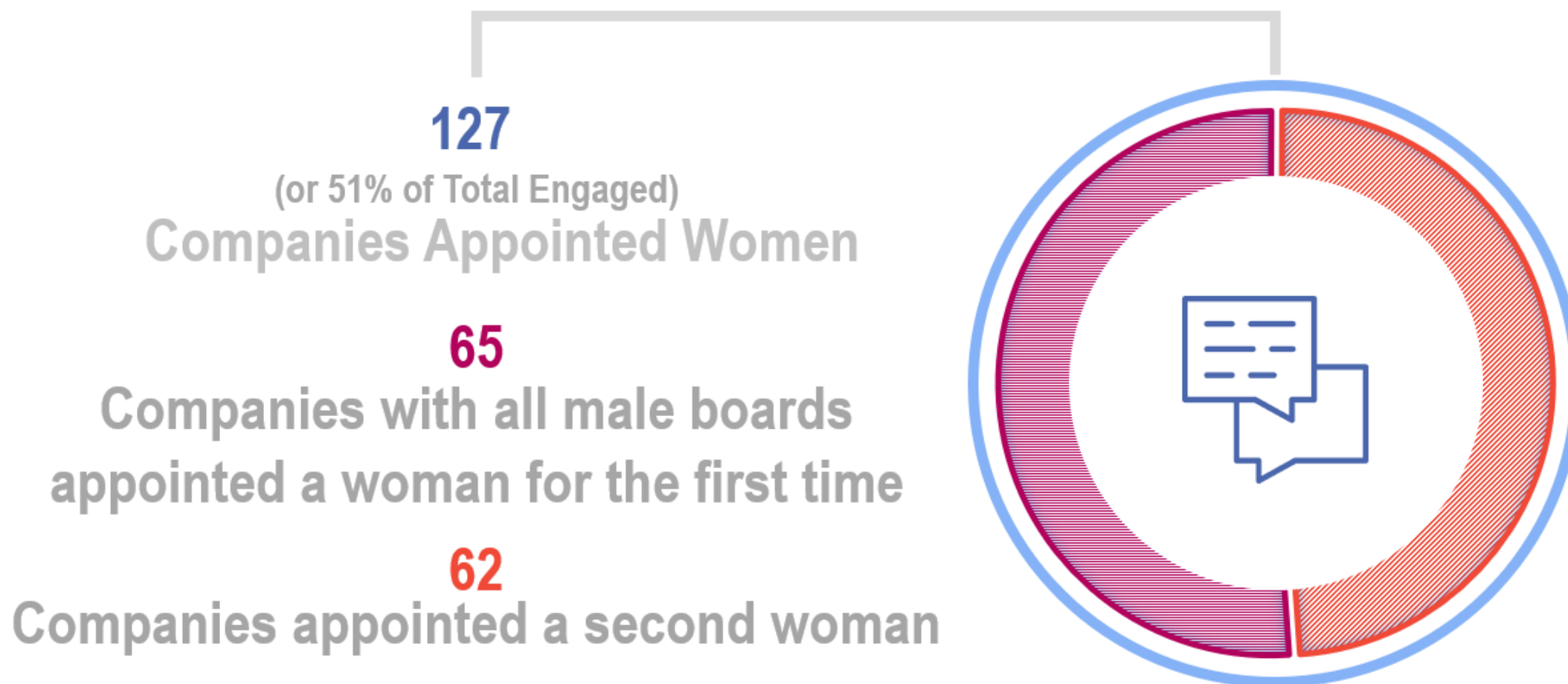
107

(or 50% of Total Staff)
self identify as
Ethnically Diverse



Board diversity engagement

Thirty Percent Coalition “Adopt a Company” Campaign – Total Company Engagements: 250



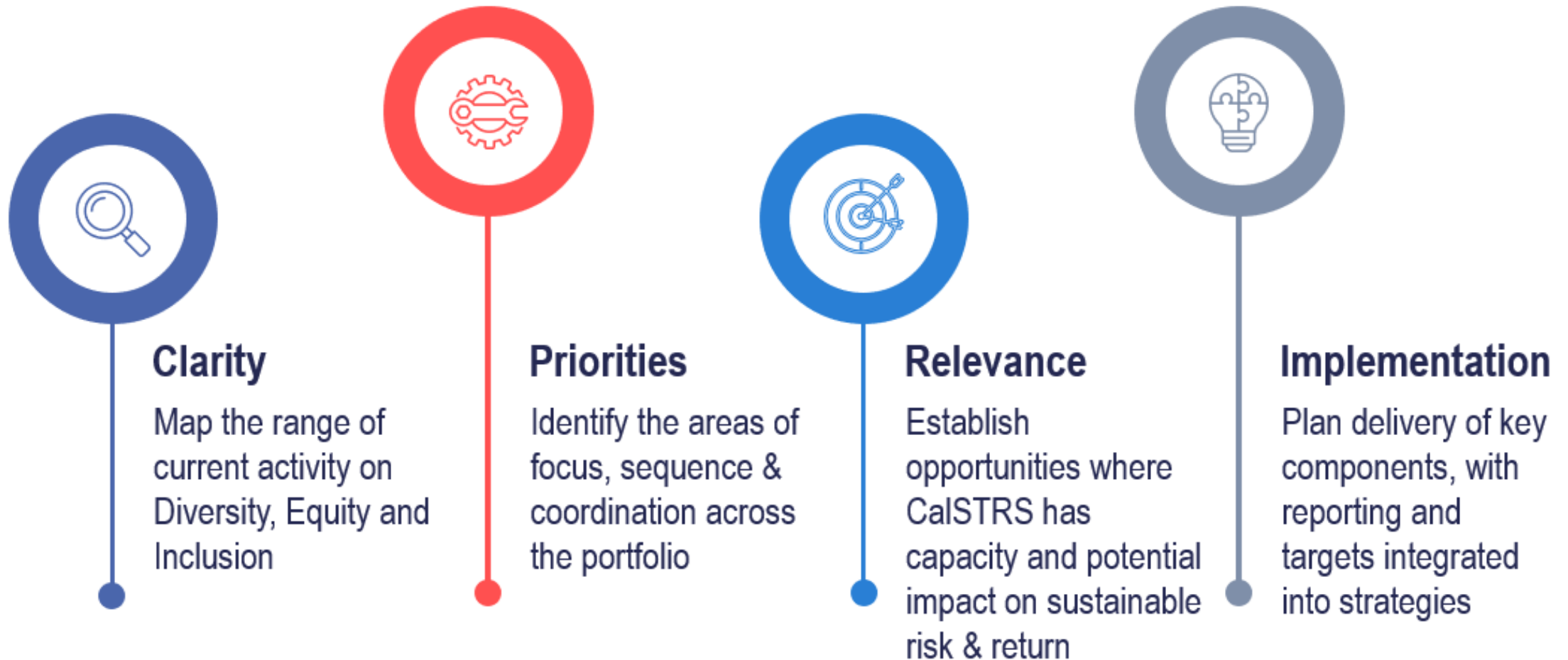
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Investment Committee

Agenda Item 4b – Open Session – **Information** Item

Diversity in the Management of Investments
Strategic Roadmap

Core Objectives



Clarity

Map the range of current activity on Diversity, Equity and Inclusion

Priorities

Identify the areas of focus, sequence & coordination across the portfolio

Relevance

Establish opportunities where CalSTRS has capacity and potential impact on sustainable risk & return

Implementation

Plan delivery of key components, with reporting and targets integrated into strategies

Observations to date



Investment Committee

Agenda Item 4 – Open Session

Diversity in the Management of Investments
Questions and Discussion