Colloquium on Global Diversity
Creating a Level Playing Field for Women

GLOBAL SUMMIT OF WOMEN

CALSTRS

Mary Hartman Morris, Investment Officer
California State Teachers Retirement System
February 22, 2018

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Fulfilling and Sustaining California Educators' Secure Retirement Promise

CalSTRS: The World's Largest Educator-Only Pension Fund

Teachers' Retirement Board (12 Members)

Dana Dillon
Elected Member

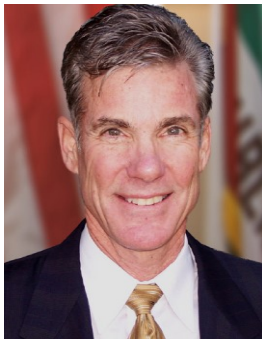
Sharon Hendricks
Elected Member

Harry M. Keiley
Elected Member

State Controller
Betty Yee
Ex-Officio Member

State Treasurer
John Chiang
Ex-Officio Member

Director of Finance
Michael Cohen
Ex-Officio Member



Superintendent
Tom Torlakson
Ex-Officio Member

Joy Higa
Governor Appointee
Public Representative

Paul Rosenstiel
Governor Appointee
Public Representative

Governor Appointee: Public Representative

VACANT

VACANT
Governor Appointee
Public Representative

Nora Vargas
Governor Appointee
School Board Rep

Karen Yamamoto
Governor Appointee
Retiree Representative

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CalSTRS Members by the Numbers

As of June 30 , 2017

933,410
members and beneficiaries

1,700+
K–12 and community college employers

Assets:
$231,567 Billion
(as of 01/31/18)

18,956 increase over June 30, 2016

72%
female active members

$1.2 billion
per month in benefit payments

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Investing and Growing a Diversified Portfolio

CalSTRS Top 10 Portfolio Holdings
As of June 30, 2017

Security Name	Shares	Market Value ($)
Apple	11,697,597	**$1,684,687,920**
Alphabet Google	1,405,308	**$1,292,631,689**
Microsoft	17,079,790	**$1,177,309,925**
amazon.com	968,455	**$937,464,440**
Johnson & Johnson	6,630,724	**$877,178,478**

Security Name	Shares	Market Value ($)
facebook	15,526,688	**$834,419,354**
ExxonMobil	9,561,705	**$771,916,445**
Berkshire Hathaway HomeServices	4,454,962	**$754,536,914**
Chase J.P.Morgan	7,948,226	**$726,467,856**
Bank of America	24,451,844	**$593,201,735**

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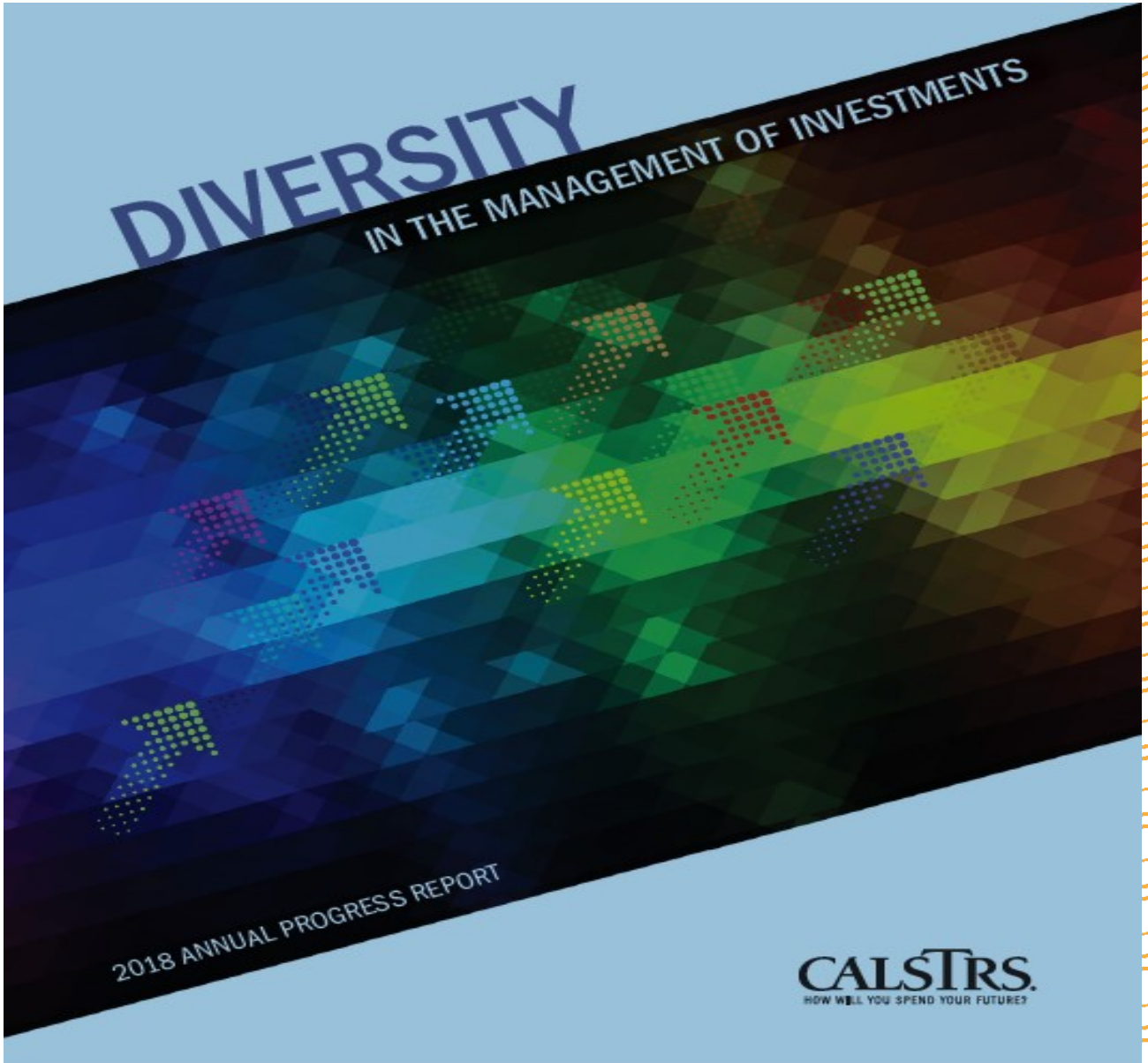
Diversity In the Management of Investments 2018



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Engagement

- Opportunity to positively impact portfolio companies and increase long-term value.
- Leverages CalSTRS investor position to “move the needle” and influence change through shareholder advocacy.
- Engagement stimulates dialogue and builds collaborative relationships.

How Do We Engage?

CalSTRS Corporate Governance Program

Portfolio Company Engagement

Proxy Voting

Portfolio Management

Legal, Regulatory and Legislative Support

Fiduciary Duty and Responsibility

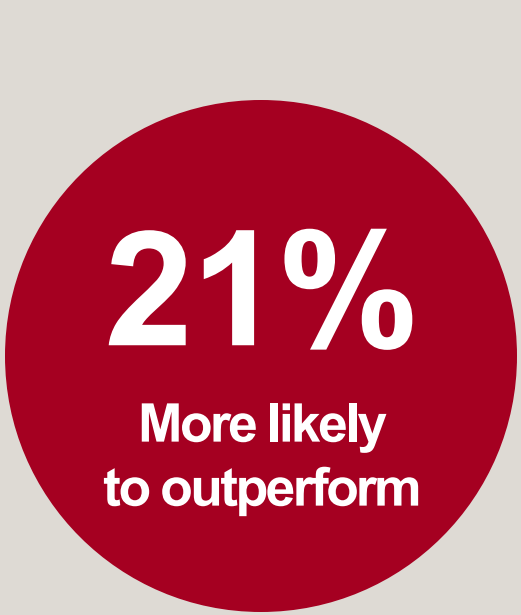
Fund Educator Retirement Benefits

The Power of Engagement – CalSTRS as an Active Shareowner

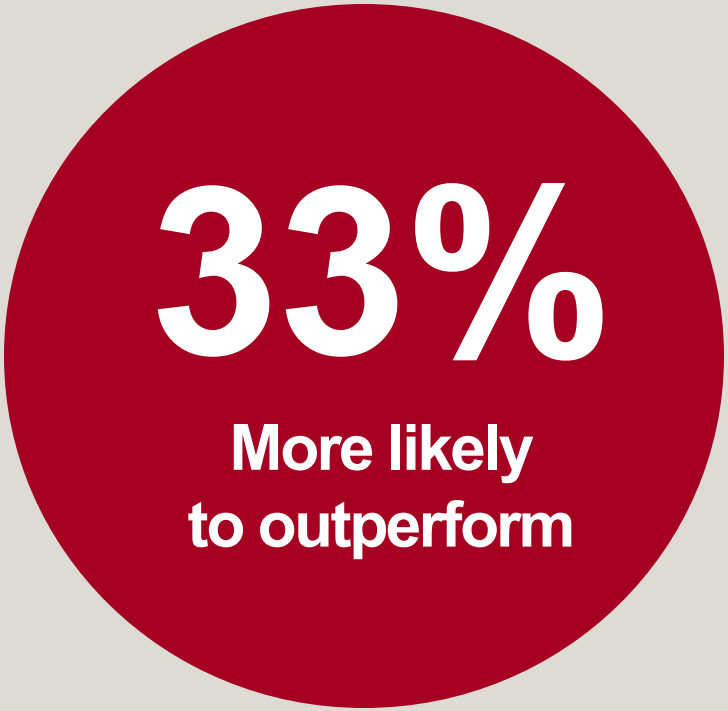
Although our exposure to public markets is through passive index investments, we are active shareowners.

How corporate diversity correlates with better financial performance

Likelihood of financial performance above industry median, by diversity quartile



Gender-Diverse Companies



Ethnically Diverse Companies

Source: 2017 McKinsey & Company Report, "Delivering Through Diversity"

CalSTRS Corporate Governance Activities

2016-17 Major Initiatives

Thirty Percent Coalition

- 81 engagement letters
- 23 companies appointed 24 women

4 Coalition

- 61 engagement letters
- Board effectiveness, Refreshment & Search Process

California

- 87 engagement letters
- 23 companies appointed 25 women

Enhanced Diversity

- Engaged 10 companies on human capital

Partnership Engagements

THIRTY PERCENT COALITION

apg

Legal & General INVESTMENT MANAGEMENT

OPERS

CALSTRS HOW WILL YOU SPEND YOUR FUTURE?

CalPERS

Speaking Engagements

Stanford

Ctr. 4 Advancement Women's Leadership

Clayman Institute 4 Gender Research

Boards' commitment to Diversity – Action items:

1	Company adopted changes to Nominating and Corporate Governance policies/Charter by including a commitment to diversity inclusive of gender, race, ethnicity.
2	Company committed to include women and underrepresented minority candidates in every pool from which Board nominees are chosen and will state this in their Board Refreshment Policies and/or Nom/Gov. Charter.
3	Company expanded director searches to include nominees from both corporate positions beyond the executive suite and non-traditional environments including government, academia, and nonprofit organizations and will document this commitment in the proxy and/or Board Refreshment Policies and/or Nom/Gov Committee Charter.
4	Company adopted a matrix and better disclosure in the annual proxy which identifies board diversity and skill-sets of the individual directors which ties to the company's long-term strategy.

CalSTRS Corporate Governance Activities

2017-18 Major Initiatives

Thirty Percent Coalition

- 128 engagement letters

5 Coalition

- Board effectiveness, Refreshment & Search Process
- White Paper – Summary

California

- 89 engagement letters
- Follow-up & New with UCOP
- Votes Against

Human Capital Management Coalition

Partnership Engagements

THIRTY PERCENT COALITION

Legal & General INVESTMENT MANAGEMENT

OPERS

CALSTRS HOW WILL YOU SPEND YOUR FUTURE?

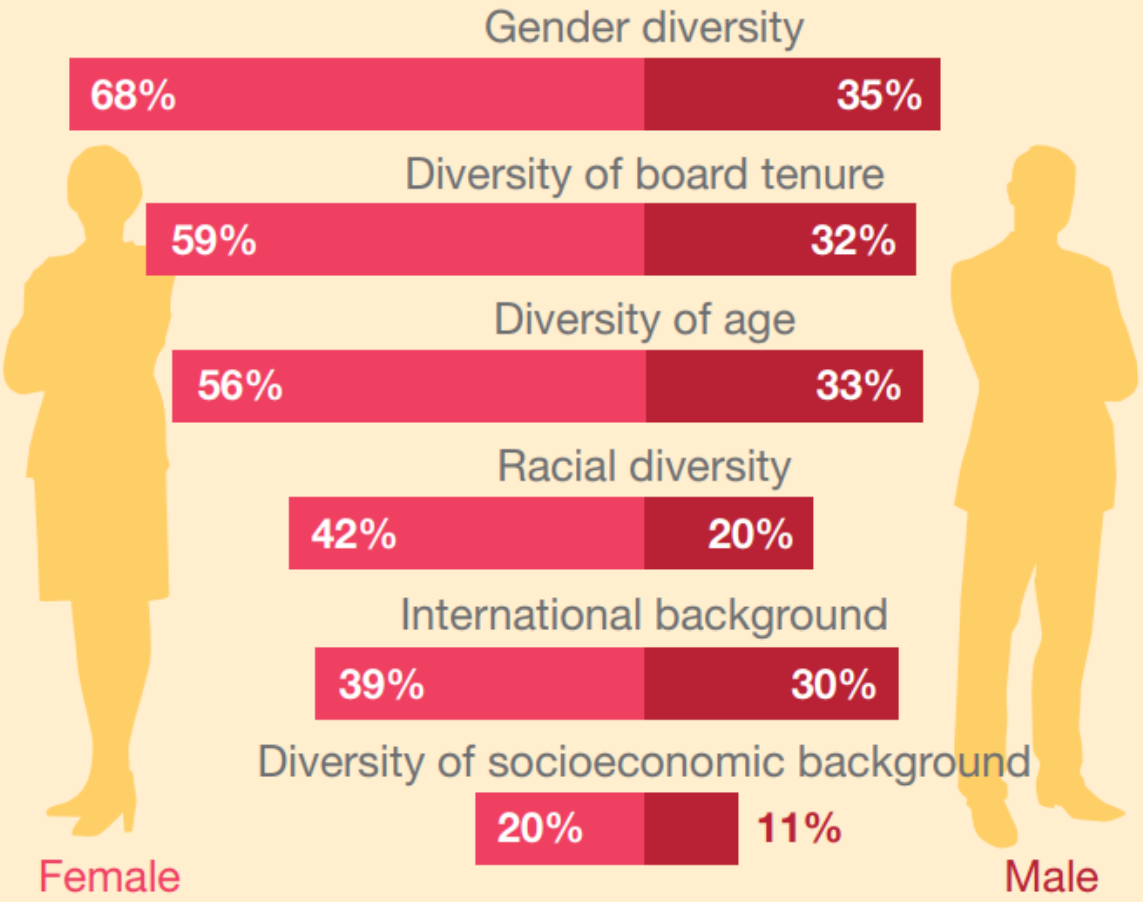
apg

PGGM Voor een waardevolle toekomst

UNIVERSITY OF CALIFORNIA Office of the Chief Investment Officer

PwC Corporate Directors Survey 2017:
Importance of factors in achieving diversity of thought?

Female directors were notably more likely than male directors to say that certain attributes are very important to achieving diversity.



Q6: How important are the following factors in achieving diversity of thought in the boardroom?
Base: 692–696 (Male); 133–135 (Female)
Source: PwC, *2017 Annual Corporate Directors Survey*, October 2017.

Advancing Diversity on Corporate Boards

BANC OF CALIFORNIA

Two women appointed to previously all male board at Banc of California:

- In 2017, CalSTRS led the investor effort to engage Banc of California regarding the all-male board of director composition.
- Collaborative process resulted in appointment of two women to the previously all-male board.
- Banc of California appointed:
  - Mary A. Curran (top right), a retired executive vice president at Union Bank; and
  - Dr. Bonnie G. Hill (bottom right), president of B. Hill Enterprises LLC.

CalSTRS Corporate Governance Activities

Human Capital Management –
A Company's most important Asset…Its People!

- Coalition led by UAW Trust – 25 Institutional Investors with $ 2.8 Trillion
- Filed a petition with the SEC July of 2017
- Roundtable request – All Stakeholders
- 9 broad categories – asking for better disclosures on Human Capital Management

Human Capital Management – Disclosures – Action Item Company – Sector – Industry Customized

1. Workforce **demographics**
2. Workforce **stability**
3. Workforce **composition**
4. Workforce **skills and capabilities**
5. Workforce **culture and empowerment**
6. Workforce **health and safety**
7. Workforce **productivity**
8. **Human rights commitments** and their **implementation**
9. Workforce **compensation and incentives**

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Thank You!

Questions during panel session