

MINNESOTA STATE BOARD OF INVESTMENT

ENVIRONMENTAL, SOCIAL, GOVERNANCE REPORT

2022 Proxy Season Highlights

Over the course of Fiscal Year (FY) 2022, the Minnesota State Board of Investment (SBI) voted ballots for 2,273 different company meetings on over 20,000 items. The majority of these votes were on director elections. There were also 5,988 management proposals and a record-breaking 512 shareholder proposals. It is important to note that these numbers do not include the many proposals withdrawn by shareholders after successful engagements with companies.

Of the Environmental, Social, and Governance (ESG) related shareholder proposals that the SBI had voting rights for, 28 received majority votes, this is slightly lower than the 31 that passed in 2021 but still well above the 18 that passed in 2020.

The SBI, along with many other U.S. public pensions and institutional investors, plays an important role in encouraging improved environmental, social and governance practices that are material to the long-term sustainability of the world's largest corporations.

For the SBI's complete proxy voting records from FY 2022, please visit the [Proxy Committee page](#) on the SBI website.

BELOW IS A SUMMARY OF THE SBI'S PROXY VOTING ACTIVITY FROM 2022

GOVERNANCE

- **Executive Compensation:** The SBI voted against approximately 70% of advisory votes on executive compensation due to lack of sufficient alignment or transparency with shareholders.
- **Other Corporate Governance Proposals:** The SBI voted for the vast majority of shareholder proposals related to corporate governance practices such as proxy access, independent chairman, declassification of boards, written consent, reports on political spending, and majority voting.

Nine proposals related to governance issues that increase shareholder rights and information received majority shareholder support.

ENVIRONMENTAL

- **Climate Change Risk:** Nine climate change risk related proposals received majority support in 2022. The SBI voted in favor of all nine. These proposals were at Chevron, Caterpillar, Boeing, Dominion Energy, Chubb, Costco, Home Depot, Travelers and Exxon Mobil.
- **Climate Change and Other Environmental Proposals:** In total, the SBI voted for 62 environmental and climate related proposals in 2022. These included many that were close to receiving majority support such as the proposals at Phillips 66 (49.8%), Amazon (48.6%), and Valero (42.4%).

SOCIAL

- **Diversity:** In 2022, the SBI voted for four Gender/Racial Equality and Employment Rights related proposals that received more than 50% of the vote. These were for IBM, Walt Disney, Lowe's, and Apple.
- **Racial Justice:** The murder of George Floyd in 2020 and subsequent events that have highlighted racial inequalities in America have caused many customers, employees, and investors to increase their focus on racism and racial equity. The SBI voted for six proposals related to Racial Justice that received majority support in 2022. Proposals at Home Depot, Johnson & Johnson, Altria, McDonalds, Waste Management, and Apple all received majority support. This is significant because when similar proposals were submitted for the first time in 2021, none received majority support.

In total, the SBI voted for 181 shareholder proposals on social issues including 25 related to Human Capital Management.

Other ESG Highlights

Investor Coalition for Equal Votes

In the second quarter of 2022, the SBI participated in the launch of the Investor Coalition for Equal Votes (ICEV). The ICEV is a new collective investor initiative to push back against unequal voting rights at portfolio companies.

Many investors are concerned that dual-class share structures dampen the ability of investors to act as effective stewards. There recently has been an increase in companies going public with dual-class share structures that do not include sunset provisions. The goal of this global initiative is to engage market participants and encourage one-share, one-vote structures for public companies either at IPO or at some reasonable sunset period.

For more information about ICEV and the SBI's role, please refer to the [ICEV Press Release](#) announcing the launch of this initiative on June 13, 2022.

Midwest Investors Diversity Initiative

The SBI is proud to participate in the Midwest Investors Diversity Initiative, an investor coalition working to increase racial and gender diversity on corporate boards. The coalition has now worked with 70 Midwest-based companies, and the SBI is pleased to announce the following results among those companies. This represents real progress, and we're excited for more ahead.

- 95 women and persons of color have received board appointments (75 women and 38 persons of color, including 18 women of color)
- 51 companies have adopted a policy to include diverse candidates in the search process for new board members
- 46 companies now publicly disclose the composition of their board members

A recent [MIDI press release](#) highlights the success of the group since its formation in 2016.

Changing the Face of CIOs

Earlier this spring, SBI Executive Director and CIO Mansco Perry was interviewed for an article that was published in the [July 2022 issue of Emerging Manager Monthly](#). The article weaves together many insightful comments from a variety of public pension leaders about how to increase diversity in the investment industry. In particular, Director Perry emphasized the key role that education can play to reduce inequality and increase diversity in the industry, *"If we want this to be successful, there needs to be greater focus in general on educating people. I'm convinced this country has the talent and resources to bring the rest of the population along with it. The so-called 1% may no longer be 1%."*

See full text of the article in the following pages.

Ownership Works

On August 2, 2022, [KKR announced an agreement](#) to sell Minnesota Rubber and Plastics (MRP). As part of the sale, all of MRP's more than 1,450 continuing employees will receive cash payouts from their equity interest. This sale is the latest example of KKR's value creation strategy that promotes employee engagement through a broad-based employee ownership.

KKR's co-head of private equity, Pete Stavros, founded the non-profit Ownership Works in 2021 to support employee ownership efforts across the private equity industry. In addition to KKR, the following SBI managers are also part of Ownership Works and working to increase prosperity through shared ownership: Goldman Sachs, Leonard Green, Oak Hill, Silver Lake, TPG and Warburg Pincus.

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Changing The Face Of CIOs: Identifying Diverse Talent Sees Incremental Progress

By DANIELLE CORREA

When a pension plan or nonprofit is looking to fill a cio role, making the right hire is critical to the future success of those organizations and having a diverse pool of candidates is necessary to accomplish that goal.

“I think the objective is always to get the right fit, the right candidate into a seat. On top of that, if you can have a diverse candidate, a female candidate, a minority candidate, then I think that adds additional values. You want to have a wider universe and what you want to do is then whittle it down to the shortlist,” said Shoaib Khan, director and cio of the \$95 billion New Jersey Division of Investment, who took on his role in May. “Somebody who’s a female goes through challenges and the minority has other challenges,” he continued. “I think all of those different experiences is what adds value and to the extent we can add that into the mix, I think it results in better investment decision making. When you add those different perspectives and experiences, that enhances an organization’s ability to either reduce risk or enhance returns. That’s why it’s important to cast a wider net.”

Casting a wider net and identifying diverse talent is growing in importance among the top public defined benefit pension plans and foundations and endowments in the U.S., with incremental progress seen in the hiring of women and minority cios.

However, among the 100 largest U.S. public pension plans and 100 largest U.S. nonprofit institutions, roughly half of new cio roles filled this year at defined benefit plans and more than half at endowments and foundations were white males, Emerging Manager Monthly found.

What more can these institutions and search firms do to further attempts to fill the available roles with qualified diverse candidates?

“I think we’re moving in the right direction, definitely, but I feel like there are starts and stops along the way,” said CIO Angela Miller-May of the \$50 billion Illinois Municipal Retirement Fund. “The last two years, there has been a big push. Companies have committed to hiring more women and making sure that minorities and women are part of their candidate pool. Diversity is a positive for their bottom line and it’s really good business to have that diversity of thought, diversity of age, and ethnicity, backgrounds and education.”

The State of The Industry

Women and/or minority executives hold the top investment position at 21 of the 100 largest U.S. defined benefit plans, up from 19 in 2021 and down from 25 in 2020 and 23 from 2019, when EMM began tracking the data. Although there were some changes in senior investment leadership among the top 100 U.S. nonprofits, the number of women and/or minority executives leading these institutions is now 39, up from 38 the past two years and 36 in 2019.

Some new women and minority hires from the past year have come through internal promotion — the \$44 billion Iowa Public Employees Retirement System’s CIO Sriram Lakshminarayanan had served as the plan’s chief risk officer since 2014 until his promotion in January. Others came from an outside organization such as new ceo and cio of the \$35 billion San Francisco Employees’ Retirement System Alison Romano, who previously served as deputy cio of the \$253 billion Florida State Board of Administration before beginning in her new role at SFERS on June 13.

On the nonprofit side, Anca Ion, deputy cio and cio for internal investment of the \$5 billion Texas Treasury Safekeeping Trust Company, was promoted to cio in November while Anne Dinneen, cio of the \$1.4 billion Hamilton College endowment, was named as the new senior v.p. and cio of the \$13 billion NewYork-Presbyterian Hospital on May 2.

The past year has brought on both additions and departures at a number of the top pension plans and nonprofits, including the exit of various women and minority individuals.

The pension space saw the departures of Alex Doñé, who left his post as cio of the \$263 billion New York City Retirement Systems; Ray Joseph, who resigned after serving as cio for the \$29 billion Los Angeles Fire & Police Pension System for less than a year; and Elizabeth Burton, who resigned as cio of the \$22.5 billion Employees' Retirement System of the State of Hawaii.

Doñé departed for a managing director role at private equity firm Platinum Equity and has been succeeded by Deputy/Interim CIO Michael Haddad, a white male.

Joseph and Burton reportedly left their respective plans for personal reasons and plans to fill Joseph's position are in development, while no news has been released on the search for Burton's replacement.

Elsewhere, Director of Investments Fernando Vinzons departed the \$14 billion Cook County (Il.) Pension Fund for the cio role at the \$13 billion Chicago Teachers' Pension Fund, where he will begin on July 11.

"I look forward to joining the Chicago Teachers' Pension Fund. They have a terrific team and an impassioned Board of Trustees who are all laser-focused on delivering for their members," Vinzons said.

Further, the public pension space will see a few retirements from women and minority cios, as Liza Crisafi of the \$10 billion San Diego City Employees' Retirement System is set to retire on July 31 after serving in the role since 2008 and Executive Director and CIO Mansco Perry is set to retire on Aug. 16 after nearly 10 years leading the \$89 billion Minnesota State Board of Investment.

"It's been an interesting job, but not without a lot of challenges, as most cio jobs are," Perry said.

Executive search firms EFL Associates and Korn Ferry are assisting with finding successors for Crisafi and Perry, respectively.

In the nonprofit space, CIO Ruchit Shah departed the Texas Treasury Safekeeping Trust Company in November 2021 for a senior managing director role at M-Cor Holdings, the Milken Family Office. Shah was succeeded by Ion.

William “Bill” Lee stepped down as senior v.p. and cio at the NewYork-Presbyterian Hospital in September 2021 after more than five years in the role and was succeeded by Hamilton College CIO Dinneen.

Yatin Patel, co-cio of the \$7 billion Conrad N. Hilton Foundation, left the organization in June 2021 in pursuit of other career opportunities with Co-CIO Michael Buchman, a white male, taking over as cio after the two had worked alongside one another since 2016.

Meanwhile, the \$9 billion Hershey Trust Company is looking to hire a new ceo and cio as Janice Bratton, who has served in the cio role since 2019 and as ceo since 2020, is set to retire at the end of 2022.

The company began a national search for Bratton’s successor in February.

Charles Skorina, founder and managing partner of Tucson, Ariz.- based executive search firm Charles Skorina & Company, indicated that a majority of the cio biographies on its website are for the nonprofit sector and over half of those cios came from other nonprofits.

“When I’m talking to folks who want to be a cio, I tell them that about 60% of all cio openings, [although] it varies, in nonprofits come from other nonprofits,” Skorina said.

While not in the top 100 nonprofits by assets, the \$900 million endowment of the University of St. Thomas’ (Minn.) Chief Treasury and Investment Officer Carol Peterfeso stepped down from her role on Nov. 24, which she had held since 2010.

Peterfeso is succeeded by Pennsylvania State University Deputy CIO Sonali Dalal who will begin her new role as v.p. and cio in August.

Meanwhile, the \$1.4 billion National Geographic Society named Kristi Craig, director of private investments at Georgetown University, as its first cio in February.

In January, the \$1.1 billion Pepperdine University named minority Jeffrey Rohde as its permanent cio after serving as acting cio following Charles “Jeff” Pippin’s October retirement. That same month, Deputy CIO Leena Bhutta of the \$2.4 billion Doris Duke Charitable Foundation was named cio following the retirement of Jeffrey Heil, a white male

In December, CEO and CIO Carla Hunter of the \$628 million Weizmann Global Endowment Management Trust retired and was succeeded by Monica Spencer.

Kit Ali, senior partner of executive search for diversity recruitment firm Mogul, finds that generally more women and minorities are being hired among nonprofit institutions rather than in the public pension space.

“Diverse candidates generally have an affinity for philanthropy and good work. Foundations and endowments, generally speaking, [are] out there trying to change the world in a good way. I think that naturally appeals to diverse individuals,” Ali said.

Of the 16 new hires in the top 100 pension plans this year, seven were women or minorities. Among the nine hires in the top 100 nonprofits, three were either a woman or minority.

Casting A Wider Net

For many institutions, executive search firms can be helpful in the process of casting that wider net in order to attract talented diverse individuals to fill senior investment roles, with some finding it to be a big undertaking.

Miller-May thinks that if an institution is seeking diversity or diverse candidates, it is a small pipeline or universe, therefore search firms “have their work cut out for them.”

“When we’re recruiting college grads, that’s our responsibility as cios to make sure that we implement a pipeline internally for someone to advance to the role of cio. You don’t have to go outside, but that means developing people and allowing people to be exposed to different things and different ways of looking at a portfolio,” Miller-May said.

Miller-May, who spent the early part of her career in banking, joined IMRF in August 2021 following 11 years at the Chicago Teachers’ Pension Fund, where she started in an entry-level investment position and eventually climbed the ladder and landed the role of cio.

Back in 2010, the hiring process at Chicago Teachers included an interview with the executive director and manager, while the process for Miller-May to acquire her role at IMRF consisted of research, “YouTube-ing,” studying and figuring out situational

questions, she noted.

“This was all new to me, but I had to do the speaking and advocating for myself,” Miller-May said.

“I appreciated Chicago Teachers. It is where I gathered most of my knowledge about how to construct a portfolio, how to select managers, how to adhere to the Illinois pension code and a strategic asset allocation. But the culture changed with COVID and this position at IMRF became available,” she continued.

EFL Associates led the search that began in March 2021 for the cio role Miller-May eventually filled in August 2021.

In its search for a cio to succeed Miller-May, Chicago Teachers partnered with Korn Ferry, according to Executive Director and Interim CIO Carlton Lenoir Sr.

“We are pleased with the comprehensive and collaborative process that we undertook. Korn Ferry presented a diverse and well-qualified group of candidates. We appreciated the quality of the candidates and the energy they put into this search,” said Lenoir, who will hand over the cio responsibilities to Vinzons when he joins.

“My experience with CTPF and Korn Ferry was positive and the process for vetting candidates was quite thorough,” Vinzons said.

“It is my hope that search firms prioritize presenting a fresh, qualified and diverse pool of candidates for employers. As a minority, I understand first-hand how daunting the search process can be. Anything a search firm can do to improve outreach, educate people about the process and add to their pool of diverse candidates would be progressive, timely and welcome,” he continued.

Vinzons is joining Chicago Teachers after serving four years as director of investments and 10 years as a senior member of the investment team for the Cook County (Ill.) Pension Fund.

“I was responsible for the growth of an under-funded pension portfolio [from \$5.2 billion to \$14 billion] and improved peer ranking [from 65th to 28th percentile],” Vinzons said, noting that he has over 18 years of investment and financial market

expertise and is well-versed in all investable asset classes, including private equity, real estate and hedge funds.

In his experience, Michael Kennedy, senior client partner of Korn Ferry's asset management practice, indicated that when funds try to screen diverse candidates for roles themselves, they are not able to cast as broad a net as search firms.

"They are a lot more limited in their outreach efforts to reach targeted women and people of color," he said. "They don't have the relationships. They're reaching out to candidates cold and candidates may not be responsive or may not return their call. Utilizing a search firm provides greater access to talent because people will be more inclined to return my calls because they're familiar with Korn Ferry."

In the search process that Kennedy follows, he allocates a "significant" amount of time to gain knowledge about the organization.

"I have one-on-one discussions or interviews with board members and senior staff and any other relevant stakeholders that I think I need to speak to in order to develop an understanding of the structure of the organization, the culture of the organization. That's important because as I'm speaking with candidates, [they] will want to know about the board and the senior team. What's the culture like, and has there been turnover? Is there stability? All of those kinds of things," he said.

Organizations' job postings and e-mails cannot specifically state that they are looking for a woman or diverse candidate, according to Skorina, who finds that hiring authorities like his firm is still valuable.

When on the phone or writing an e-mail, "Can you say, 'Hello, I'm looking for a director of investments and it must be a woman and it must be a Latino? I don't think so,'" Skorina said. "If you're looking for minority candidates, you have to brand the search because there are more second-level minority candidates."

Skorina began his career in banking and eventually moved to the West Coast, where he started his firm, which recruits board members and executive officers, cios and senior asset managers for institutional investment funds and firms.

“[Over 10 years ago] I got to thinking, I don’t do any business with women. All of my contacts are men. So, I started tracking women in finance, in particular on the asset management side. Four or five years ago, I wondered how they were doing, how they compare with the guys. So, we did a study and you know what, they do just as good if not better,” Skorina said.

Skorina’s 2021 study *Women in Finance: The Long Hard Road*, published in *The Skorina Letter*, discovered there are plenty of talented women waiting for a cio opportunity and the research shows that they perform the best.

Skorina’s clients include the \$3.9 billion Michigan State University endowment, \$2 billion University of Nebraska Foundation and \$1 billion University System of Maryland Foundation.

One of the current searches Skorina is working on is for a cio with experience at a U.S. endowment, foundation or pension fund for the Monterrey Institution of Technology and Higher Education at the university’s flagship campus in Monterrey, Mexico. He believes it would be useful to recruit a Spanish-speaking candidate, although it is not a requirement of the university.

But, “I’ve been looking for six months for a Latino or Latina. I haven’t filled the job yet. I’ve had to focus on Texas, because there are more [there],” Skorina said.

Khan of the New Jersey Division of Investment views executive search firms as helpful since they are looking for diverse candidates day in and day out and are focused on recruiting as opposed to other organizations that may key in on different functions.

“They have a pretty good idea of who’s sitting where. When I was at Florida State Board of Administration, I was not aware that there was an opening at New Jersey until the recruitment firm that New Jersey had engaged with reached out to me because they had known me over the years. Recruitment firms tend to know what the landscape of candidates are and I think that’s some of the value that they bring,” Khan said.

The search for Khan’s role began in October 2021, when the plan retained EFL Associates for assistance. Having joined the division as deputy director in January 2021 from the Florida plan and taking over the director and cio position on an acting basis in

June 2021 following Corey Amon's departure, Khan was appointed to the role permanently in May 2022.

"I did not know that I would be asked to step into the acting director or an acting cio role as quickly as I was, but of course it was because Corey decided to move to the next step in his career and so I was asked to step in," he said.

Khan began his career in the pension arena for both the finance and investment teams of the \$1 billion City of Miami (Fla.) General Employees' & Sanitation Employees' Retirement Trust. From there, he moved on to focus on a number of strategies in alternative and traditional investments and a bank in Switzerland before returning to the pension space in 2017.

"I always look for that meeting of minds," Khan said of his transitions to new organizations. "Are we looking to achieve the same things? Are the objectives that they are looking to achieve in line and do they make sense to me? Is this something that I would be interested in and that I could add value to?"

Mogul's Ali thinks that candidates have to come from within the industry when looking for candidates at the cio level.

"I think if you go lower down the spectrum when you're talking about manager level and director level hires, that's when the search firms can get a bit more creative with diversity. That's when you can look at the private wealth managers, you can look at the pension funds, you can look at the sales side. Chief investment officer has most likely already held that title somewhere else or is about to be promoted into it. And that only happens within your industry. So, that kind of comes back to how industries as a whole have to start making themselves a place where diverse candidates like to start and build their careers. Because if not, then you'll be dealing with a situation where the talent pool just doesn't exist," he said.

When it comes to casting a wider net in searches, Ali finds it is more about what the industry has already done to incorporate diversity.

"Hiring at the junior level is a whole different beast than hiring at this [cio] level. Companies and industries really have to take a deep look within and see why there is not enough diversity at this level," Ali said.

Ali began his career in the asset management industry in executive search and has stayed within the sector for 20+ years. Having moved from the U.K. a couple of years ago, he helped launch Mogul's U.S. asset management practice.

"Executive search has been an industry that's been very good to me, but diversity was something that's never a priority at the senior level in most of the industries that I've worked around. When I had the opportunity to join Mogul and really have an impact and help industries really transform, it was a no brainer for me," he said.

Miller-May finds that some search firms could do a better job in their networking and outreach.

"I think the search firms could do a better job. I had a really good experience with Illinois Municipal, but before this role, I was never really introduced to a search firm. I think that's something that they could do better ... expand their networks or have conversations and talk to people that may not be looking for roles, just to have a pipeline of diverse candidates. Why wait to connect and develop relationships when the role comes up? Why not have that pipeline of people ready that are at one level and ready for the next level that you have developed a relationship with?" Miller-May said.

"I think if they just work to expand their networks by aligning themselves with organizations, colleges and universities that promote and encourage diversity, they'll find more diverse candidates," she continued.

On the flipside, Miller-May compares search firms to investment consultants in that search firms can be thought of as the "gatekeepers for the senior roles, for leadership roles."

"They have the influence to really affect change and increase diversity for many organizations. When serving on boards and we've had to hire, we've been advised by search firms of what the levels of compensation should be, who's out there looking for the role, and what percentage, or what's the likelihood of us being able to attract candidates. They act as advisors and I think that if they could be committed to diversity and be intentional like we try to hold our investment consultants to, that will work to improve diversity from a different aspect," she said.

Meanwhile, Lenoir thinks executive search firms help to broaden the applicant pool to source diverse talent and help ensure that each search gets the full attention it deserves.

“They are experts in creating a match between the organization and the employee, they help to eliminate any inherent bias, they elevate the importance of the position they have been engaged to fill, and supplement internal hiring talent with their reliability, efficiency and efficacy,” Lenoir said.

Minnesota’s Perry, who spent his career in government offices, as a private equity analyst, in administration and as a cio, is retiring this year and indicated the search for his successor will be a national one made up of people with some experience, but not exclusively from public funds, as well as some internal candidates.

“They’re hoping to have a diverse pool of candidates, but that’s unfortunately easier said than done,” Perry said.

“There’s just a small universe of talent, irrespective of ethnic background or gender, who are getting out of school and looking to come and work for a pension plan or endowment or foundation, but once they get exposed to it, there are quite a few who get excited about it,” he continued.

While the \$4 billion Chicago Community Trust does not use executive search firms in its hiring process, Senior Director of Investments Laura Kernaghan does think they can provide value as she believes there is a tendency in the industry to seek candidates with very specific backgrounds that ultimately limits the pool of prospects.

“We have tried to cast our net a little bit wider and then that way, we think it’s very helpful for firms to be able to do so as well from an executive search standpoint because I think it really comes down to making sure that strong foundation is in place and that the individual you hire can ultimately achieve what you need within the role. Having the flexibility really allows for a wider net and allows for us to really get those diverse candidates,” Kernaghan said.

Kernaghan has been with the trust since October 2018 after her former supervisor at the Ann and Robert H. Lurie Children’s Hospital of Chicago was hired as cfo at the trust. Before shifting to the nonprofit side, she began her career in traditional finance

spending “well over a decade” as an equity analyst.

“I really enjoyed that work, it was very fast paced and intellectually challenging and then I transitioned into an asset allocator’s role.” But then, “I wanted to shift to a slightly different pace of work, but one that also was very much still focused on achieving positive outcomes not only from a profit perspective but also from a mission perspective,” she said.

Miller-May serves on several boards that have asked their search firms to look for and bring in diverse candidates. When they did not do so, the board sent them back out to identify diverse candidates.

“We told them, ‘No, we want to see women in this pool, we want to see minorities in this pool, we want to be able to ensure that we’re selecting the right person for this job from a wide and diverse pool of candidates,’” she said.

Access To Open CIO Positions And Seeking Talent

Recruiting, educating, networking and opening the doors to talented women and minorities that can fill cio and senior investment roles is the way for these candidates to gain access to available positions and not be overlooked, according to the industry representatives who find the access is not there.

Tiffany Pham, ceo and founder of Mogul, points out that 85% of all jobs are filled by networking, according to a LinkedIn survey. Meanwhile, she indicated that the current network of executives is 85% non-diverse, according to the Harvard Business Review.

“When you take that 85% non-diverse candidates and the fact that 85% of all positions are coming from networking, the diverse candidates are not going to hear about it. Even the ones in the industry and especially not the ones who are working in adjacent industries that might be a fit. Unfortunately, senior-level hiring is very much a closed, traditional, exclusive, upscale network,” Mogul’s Ali said.

“We can’t expect a different outcome if we keep searching for talent in the same ways and within the same networks,” Pham added, noting that Mogul’s network of executives is diverse in gender, ethnicity and other characteristics that allow the firm to reach a deeper level of talent in searches.

Lenoir finds there is always more work to do in granting access to information on open cio positions for women and minorities.

“CTPF has become an industry leader when it comes to MWDBE investing, with nearly 50% of our assets invested with diverse fund managers. That commitment makes it clear to future leaders in our investment department that MWDBE investing is a core value – and I think that was one of our strongest recruiting tools during our most recent search. We have woven diversity into every aspect of our organization, and it’s clear to applicants that differences are our strength,” he said.

Perry thinks that with regard to education, a better job of exposing the general populace to the industry at earlier ages needs to be done.

“More importantly to me is that I think we need to see that diverse groups get better educations, generally. If we can resolve that then I think we’ve resolved a lot of other problems [people] seem to be facing. Starting at the classroom and with internships,” Perry said.

Miller-May contends that women and minorities do not have enough access to information on open cio roles within the public pension plan space despite an interest in increasing diverse hires and an uptick in opportunities for diverse candidates.

“I think it’s just not enough information out there in general for diverse candidates to know where the roles are. It seems to be word of mouth or who you know. We’ve had to establish our own networks and connections. Diverse people know where to find diverse candidates. There’s a lot more reaching out of peers and colleagues who say, ‘I think you would be perfect for a role and can I put you in touch with someone or can I introduce you to someone?’ We need more sponsors and advocates,” she continued.

Chicago Community Trust’s Kernaghan believes it is an issue of awareness.

“I do think that it’s possible that we’re missing out on talent that might not be looking specifically within this corner of the industry where that might not be connected necessarily to the right individuals. I think it comes back to that idea that relationships and networking are important for job seekers,” she said.

Kennedy finds that women and people of color do not get enough information about open opportunities, but a lot of the times it has to do with people not thinking about the position as the next stop in their career.

“You may have a senior person of color or a female in an investment consulting firm and they’re doing great work. They’re very successful, well paid and they’re not thinking about putting their name in to be a cio at a pension plan. I would reach out to that person and submit the opportunity to them and give them the positives even though they’re content where they are,” Kennedy said.

Similarly, New Jersey’s Khan thinks people reaching out from recruitment and search firms to somebody for a position is “very common” even though they may not be looking to make a career move.

“A lot of the candidates are not looking to move necessarily until they are presented with a compelling opportunity which fits what they might be looking to do as a next step,” he said.

Searches for C-suite roles tend to be confidential, according to Pham, who indicated that qualified, diverse talent will not be aware that searches are happening and conversely, will not appear in traditional recruiter searches.

“Mainstream sourcing platforms have algorithms that tend to favor non-diverse candidates. So, both groups, through no fault of their own, aren’t necessarily interacting and seeing the opportunities with each other. Using firms that specialize in diversity hiring can be a great start for institutions wanting to connect with new networks of diverse candidates who are ready for the next level,” Pham said.

“Diverse people are also not getting into the pipelines because they operate outside of the traditional ‘insider’ networks. Studies have shown that women have smaller networks than men, particularly in male-dominated industries, and they approach job searches differently. So, understanding that female talent and diverse talent approach job searches differently can help us in accessing that talent in a different way,” she continued.

Kernaghan pointed out that the overall structure of the industry can still be challenging for diverse candidates.

“[They] might not necessarily feel like they’re part of the club, so to speak, and I think that remains a challenge broadly across the investment industry,” she said.

“It’s almost like you’ve got to be in the industry to know where the roles are,” Miller-May said. “You have to develop those relationships. The information comes through the building and developing of relationships and networking with peers and networking with mentors or sponsors. You have to be open to meeting, collaborating, and knowing different people in different settings.”

“There are so many talented and smart people out here, but if you don’t know that person or can’t identify them, they’ve got to raise their hands and make themselves known and you have to be open and eliminate the challenges in connecting with them,” she continued.

While Khan thinks candidates should network and connect with recruiters for more access, he also thinks there is great access to open cio positions today because they are advertised in various places in addition to the technology that is available.

“We’re living in a world where technology is obviously at the forefront that I think allows access to be wider than if you had asked 10 or 15 years ago or even five years ago. Technology changes so fast. I think today we’re all in a better place where there is greater information flow,” he said.

Khan further pointed out that like everything else, organizations need constant improvement and recognition that there is a lot of value that comes from expanding and bringing in diverse and women candidates, networking, being active and keeping an open mind.

Kennedy discussed the importance of education and getting the word out as well as mentoring and developing and grooming individuals along the way.

“I’ve identified talented women and people of color who started in some of these organizations in the junior levels and I’ve tracked their careers and every now and then I will call just a handful up and check on how things are going. And sometimes they’ll call me and they’ll say, ‘Michael, this is what I’m doing now. What do you think should be the next step in my career? I want to be a cio.’ I think we need to have more of those

kinds of conversations so that people actually have some sense as to what they need to do to broaden their experience that will make them very strong candidates to become a successful cio,” Kennedy said.

Perry agrees in the value of education and thinks the industry will not be successful without that focus.

“If we want this to be successful, there needs to be greater focus in general on educating people. I’m convinced this country has the talent and resources to bring the rest of the population along with it. The so-called 1% may no longer be 1%,” Perry said.

Having interviewed cio candidates, Skorina thinks the job is a great one that more people should know about.

“Whenever I do my cio interviews I ask, ‘How did you get into this business?’ You get interesting answers with the men. They’re kind of guided [as] men are supposed to go into business. At the high school level and then in college there’s not as much of a social, cultural push to guide women into business,” Skorina said. “Most of the women I’ve talked to who have gotten into the cio role was just a fluke through a friend or their parents. One of the parents was in finance and that’s how they learned about it.”

Kennedy implied that it comes down to mentoring and developing and making sure people get the right opportunities as they work through their careers.

“I think that really is going to be incumbent upon senior people with these various types of asset management organizations to take a real interest in making sure that they’re reaching back and attentive to building a diverse slate of talented employees as they manage their careers,” Kennedy said.

“Companies now are a lot more attuned to that over the last year or two, there certainly is a lot more conversation around that, but I think that’s going to be the next step to make sure that these individuals get the right type of mentorship, get the right types of experience and exposure that will allow them to develop the skillsets and experience they need for the next promotion,” he continued.

Lenoir views recruitment and retention as vital as the industry can be “insular.”

“When we conducted our search, we considered candidates with varied backgrounds. One of our three finalists for the cio position came from private industry, and that says a lot about our recruiting process – we were willing to look beyond the traditional requirements to find candidates with a diversity of thought and experience to fill the position. As competition for candidates grows, we will continue to benefit from this kind of out-of-the-box thinking,” he said.

Compensation is another contributing factor when comparing the pension space to asset management and keeping talented diverse individuals on the payroll.

“To retain these leaders, it’s important to make sure that candidates are aligned with an institution’s mission and values – because we know they can go elsewhere and earn more money in many cases. Public funds are limited and have a tough time competing on compensation alone – so we need to work hard to find people who connect with our mission and values and are willing to invest in that mission – as well as their career. When those elements align, we find candidates who are well suited for success as cios,” Lenoir said.

Miller-May agreed on the disparity of compensation when comparing institutions to asset management.

“It is a robust job market and talented diverse people are being hired in the asset management space and private space. If we have to compete with this space from a compensation aspect, it could be challenging. What makes a public pension plan like IMRF attractive is the inclusive culture, the positive work environment, the values, and the mission. Candidates find these things to be as valuable and coveted as compensation,” Miller-May said.

Skorina finds that compensation is an issue with finding interested talent.

“You don’t have that many chief investment officers making a million dollars, but in private equity that’s small change for somebody really good. If I have a compensation cap, I go to where they’re paid the least, and that’s public pensions,” Skorina said.

While recruitment, mentoring and retaining talent is important for many institutions, others think it also has to do with considering biases and new hiring approaches.

Kernaghan believes that institutions need to carefully consider potential biases when securing more women and minorities for cio and senior investment roles.

“When we’re looking to hire investment managers, we think about whether we are insisting on a threshold of assets under management or a minimum track record. Those are things that ultimately perpetuate bias against up-and-coming diverse talent and I think this same concept applies for hiring as well and making sure that we don’t have our job requirements being too rigid or if we are really thinking about making sure that we’re not focused on only recruiting from select schools and ultimately structuring our job search in a way that leads us to miss out on candidates that could be fantastic for these types of roles,” she said.

Pham thinks one way the industry can seek women and minority talent is to embrace new approaches to hiring.

“We can’t keep doing the same thing and expect different results. Instead, we can start by ensuring that each open role, from entry level to C-suite, has a fully diversified pipeline. Carefully examine the requirements for each role. Bring in diversity hiring specialists to help you find diverse talent, because amazing candidates are out there and they are ready for the opportunity. Also, understand that embracing diversity doesn’t end with a new hire — it’s important to consciously develop an inclusive culture where diverse talent is welcomed and can thrive,” she said.

Ali is pleased with what he has seen among the institutional asset management industry and thinks it is more a case of keeping up the good work.

“Build up those mid-level and lower level of ranks with diversity, eventually you’re going to see the power upwards. A lot of changes have already been made. In certain parts of the investment industry there’s a lot of very senior successful women and people of color,” he said. “Don’t take your foot off the pedal and understand there’s still a lot of work that needs to be done because there is that data at the senior level.”

For Perry, he believes the talent is out there, it is just a matter of finding the right match.

“People have the right approach to do this job. You’ve got to think of it a lot more broadly than, ‘Well, gee, I want to be responsible for a hundred plus billion dollars.’ That’s the easy part. There are a variety of stakeholder groups that you have to develop the relationships with. There are big and little politics that you have to be cognizant of,” Perry said.

“The fact that you’ve got a global discipline board both that invites people with an interest that you never expected to show up at your board meetings is part of your responsibility to be able to understand and navigate,” he continued.

Executive search firms find that in order to find the diverse talent, institutions need to seek out inclusivity, make diversity a priority and target various investment organizations.

Pham indicated there are currently 11 million open jobs and only nine million candidates. She insists that top diverse talent has options and they want to work for an employer that is inclusive and celebrates diversity.

Commitment to diversity was non-existent for the folks who got into the financial industry prior to the 2008 crash and are now getting into the top positions, however, other industries like the strategy consulting space have been committed to diversity from the beginning, according to Ali.

Kennedy is encouraged as he believes there are a lot of talented women and people of color available, but a lot of times executive search consultants do not know where to find them.

“The types of organizations that I would target would be pension funds, consulting firms, asset management firms and funds-of-funds. Just a variety of different asset management-type organizations. And then I really focus on the experiences and the skillsets of the individual candidates to see if they could make that transition to [let’s say] a public pension plan,” Kennedy said.

Kennedy also finds that in an environment coming out of COVID, people are used to working remotely, which opens up opportunities for women and people of color.

“As an example, Boston has always been a difficult place to recruit talented people of color and specifically African Americans, but now many of the firms are able to recruit because those individuals may not necessarily have to relocate to Boston. Therefore, they have access to the firms that Boston may have access to that they haven’t had in the past,” he said.

Bringing Awareness to Future Generations

Through efforts in recruiting, educating and mentoring diverse candidates, the interviewees unanimously agreed that targeting younger generations of women and people of color at the middle school, high school and college levels will make them more aware of these positions and should help raise the number of talented diverse cios in the future.

The Chicago Teachers’ Pension Fund stresses the importance of internships, mentorships and exposure to the industry with fund managers and within leadership, according to Lenoir.

“These opportunities help guide and develop future talent. We are currently working on a partnership with an organization that provides mentoring to high school students and are looking at ways to expand those relationships so we can continue to build the pipeline and drive long-term opportunities. We are long-term investors, and we know that talent development takes time and resources. We’re willing to provide both,” Lenoir said.

The Minnesota State Board of Investment is starting a few internship programs in the Twin Cities area and trying to recruit more nationally, having “a little bit of success” to date, according to Perry.

Raising talented women and minorities’ awareness about these open positions is something that the Chicago Community Trust has been excited about for some time, according to Kernaghan.

“I think that awareness of finance career path broadly and in particular these kinds of roles that are a little bit more off the beaten path can be low for women and minorities. I think that many potential diverse candidates just might not even know much about

these types of roles or the fact that they exist and, in all honesty, I did not know at the outset of my career that this type of role was even a possibility,” she said.

“If we can set even a few future candidates on the right path with the knowledge of these potential opportunities, I think that will contribute to progress and we should not underestimate the influence that seeing someone who looks like you and is serving in these roles has on candidates that can ultimately allow them to see themselves serving in the same capacity over time. I think people often need to see it to believe it,” Kernaghan continued.

Similarly, being able to see that there are a number of diverse and women leaders sitting in seats across the country and in various organizations will bring the talented individuals the confidence that they need to be able to believe that they have the objective to “reach their right,” according to Khan.

“I think that goes toward encouraging and giving them the confidence. When you look across the student pools and across colleges and high schools, it’s very diverse and I think we are going to see those come across but I think we need to continue to instill the confidence and instill that objective. We want to make sure that much like everything, there is this outreach as well. Even at middle schools because that’s where people start to develop their minds and start to think about their future and their careers,” Khan said.

“We need to be inclusive from a very early stage so that as they progress there is less of a need to continue to target and it just becomes natural,” he continued.

Miller-May thinks it is really just about being inclusive, open-minded and looking at who would be a good fit, when she discussed IMRF’s process around her hiring last year.

“It was the track record of work that I had accomplished, and the qualifications that I had and the probability that I could continue to be successful and accomplish great things at IMRF. I didn’t feel like I couldn’t be myself or that they were looking for the typical, conventional cio. I feel like they were very open minded, and they were open to the idea of a diverse cio. I think that’s all you can do is to be intentional in providing opportunities, setting any biases aside, and really getting to know the person and value that they could bring,” she said.

Pham identified raising awareness of open cio positions to younger generations of women and minorities as “highly impactful.”

“When a diverse person is hired for a cio role or another C-suite role, it changes the entire organization, not just the C-suite. It’s not just a diverse voice on the table who thinks differently. It impacts thousands of diverse individuals in that industry or at that company who are now inspired to grow similarly up that ladder. That cio may not even realize it, but he or she is inspiring analysts for the next 15 years, who now know that it’s possible for them to also rise to the top. Each hire has a ripple effect and can make a difference for so many,” Pham said.

Ali “absolutely” agrees in raising awareness on open cio positions to younger people and indicated that he starts in high school and middle school.

“The financial industry is a defining [and] rewarding place as well. If you believe that somebody who looks and sounds like you doesn’t have a place there, you’re not going to look at it,” Ali said. “It’s all about the skills and education and what you’re bringing to the table. Who you are [and] where you come from have no play in this environment.”

Kennedy noted that many endowments and foundations are actively starting internship programs for younger generations in the wake of George Floyd’s murder.

“They’re trying to identify primarily college students and give them internships so that they actually gain some insights into the investment management industry as a possible career. And I think that’s one of the important trends that I am seeing. So, more and more people are now hearing about investment management and what it’s about and what the career opportunities may be. And then there are longstanding organizations who continue to develop top level and diverse talent. And these individuals are ready to jump into a variety of asset managers,” Kennedy said.

Skorina mentioned a discussion he had with University System of Maryland Foundation CIO Sam Gallo in April, where Gallo noted the most important attributes that recruiters and institutional boards should look for in a successful cio candidate, including “experience; a deep respect for strategic asset allocation and risk

management; a profound and intense level of intellectual curiosity; love working with, educating and communicating with the board, staff and outside groups; and a strong ability to collaborate.”

Skorina placed Gallo in his current cio position nearly eleven years ago when the foundation was seeking a cio.

A Slow Pace Toward Progress

While recent years show that the industry may be moving in the right direction, most investors and executive search firms find the pipeline of diverse talent to fill these senior investment roles is still not moving forward at the appropriate pace.

“I think there does appear to be a little bit more energy and focus now. It’s something that is a bit more perpetual. I’m optimistic because I’ve seen a lot more cios and investment arms engage in dialogue and I also recognize it’s not going to be something that happens overnight, but it does appear as though there is more of a dedication,” Perry said.

Miller-May, who claims the pace of increasing diversity stops and starts, finds that the responsibility of hiring diverse candidates is not a job for one person alone.

“I think we have to keep the communication going, keep talking about it, keep pushing for it. Institutions that are doing the right things, are building a pipeline of interns, trying to expose different people — minorities and women to this industry — and then investing in those people and supporting those people and hiring those people and continuing to offer support. I think hiring directors of diversity for organizations is a plus, but it’s not just their job. I think we all have to work together in the end. It’s not a minority or women issue, it’s everybody’s issue and so until everybody comes together and moves the needle together, I think we’ll just be having these stops and starts,” she said.

Kennedy views the pace as still slow despite sincere efforts being made.

“Many of these organizations are coming up with programs and internships and things of that nature and they’re talking about doing a better job recruiting and going to HBCUs, but I still think it’s a slow process. I don’t see the needle being moved significantly much at all,” Kennedy said.

Khan indicated that he sees a “constant effort” from the public pension space in taking constructive steps to attract diverse candidates.

“I tend to think that there is now a recognition and there is an effort by organizations to attract a wider pool of talent, and that includes diverse and women candidates. I’m hopeful that it’s going to continue in that direction even further,” he said.

Skorina believes institutions should make sure to focus on ensuring the pipeline is not being rushed and more junior team members are gaining the experience they need to be successful later on in their career.

“There’s a legal duty to manage the money well for your clients [and] there are implications for that because you can get sued for doing things wrong. Suppose you bring up people so fast that they’re not experienced and they make a mistake. There’s always the danger that you can push and there are implications if you push too fast because mistakes cost a lot of money,” he said.

As senior roles tend to not turn over very quickly, Kernaghan thinks there is a “real push and a real desire for change, but it may not always happen at the pace that one might expect or hope for otherwise,” she said.

Mogul’s Pham finds that the pace is slow, but indicated the importance of celebrating the progress.

“It’s important to celebrate the progress we’ve made and increase the momentum. I do believe it will happen. We will get there,” Pham said.

Progress In the Value Of Diverse Talent

Even if change does not happen as quickly as one hopes, industry folks who come from various diverse backgrounds and organizations see progress in the industry’s recognition that committing to diversity is a value-add for any institution or firm.

Institutional investors and the investment industry at large have only just begun to embrace gender and ethnic diversity, according to Pham, although some segments are farther along than others.

“However, we are seeing an industry-wide recognition that change needs to happen, and that in itself is progress. There are so many opportunities to learn from what’s working in other industries and apply best practices to the investment industry as a whole. At Mogul, we work across all industries and we see what’s working in each one,” Pham said.

Korn Ferry’s Kennedy finds that just the fact that conversations have been held over the last few years has been significant when viewed in the context of the evolution of diversity in the industry.

“There used to be a time where I would go into investment management firms and I would actually bring the topic up and in many cases, it would just be glossed over. And that’s not the case today. So today when I go in, before I can bring it up, they’re usually bringing it up to me or they lead off the discussion saying, ‘We really want to talk about that. What are you seeing in the industry? What are the trends? What can we do better?’” he said.

Miller-May points out that when you get more diversity in leadership roles, it does trickle down across the organization.

“I think those organizations that understand this will be successful. There are those that believe if you’re increasing diversity, it’s not part of your fiduciary responsibility, similar to thoughts about ESG. They think it’s a social issue and it’s not. Being a fiduciary means that I am bringing the best talented managers and the best talented staff to the organization and, for me, that means having people that can bring better solutions and having more diversity and more inclusion,” she said.

Kernaghan thinks that institutions are increasingly aware of DEI in the way that teams are run, portfolios are managed and how external partners are selected, but as mentioned previously, it should be recognized that change is not immediate.

“Awareness is really only a first step. We then need to be able to adjust our processes to allow for expansion of the candidate pool over time and then also have an honest assessment about whether our approaches will allow qualified candidates to be fairly considered for employment, ultimately hired and then furthermore, well integrated into our team. We see a lot of progress but it does take time,” she said.

Progress has been made with regard to DEI in the industry, but needs to accelerate in order to reach a point where Perry can say that it has been a “successful endeavor.”

“We are making a concerted effort with diversity, equity and inclusion that my board is very excited about, but I’ve been around long enough to know that it’s easier said than done,” Perry said.

Employee diversity is an integral part of the business practices of the Chicago Teachers’ Pension Fund, according to Lenoir.

“CTPF is committed to pursuing diversity and recognizes that the need for and benefits of diversity are amongst the cornerstones of a successful workplace. When hiring, the Fund strives to recruit individuals with diverse backgrounds, qualities, experiences and working styles which bring a richer set of ideas, perspectives and approaches to the workplace,” Lenoir said.

“We continue to encourage diversity and equality among our employees, vendors and investment professionals through policy and action,” he continued.

At the end of the day, we all look through a lens, according to Khan.

“The more lenses that you bring into an organization, I think the greater the chances of enhancing that organization, of having a more cohesive organization and ultimately, an organization that grows,” he said.

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