



SCOTT M. STRINGER
COMPTROLLER
THE CITY OF NEW YORK



BETTY T. YEE
CONTROLLER
STATE OF CALIFORNIA

May 26, 2016

SUBJECT: LGBT Inclusion in Board Diversity

Dear Colleague:

As publicly-elected fiduciaries to pension funds with \$624 billion in assets and responsibility for the retirement security of over three million active and retired teachers, police officers, firefighters, sanitation workers, and other public servants, we know better-governed companies deliver better investment results. We want the best directors who possess a range of expertise and experience to serve on the corporate boards of the companies in which we invest. That is why we view board diversity, with LGBT inclusion, as integral to our fiduciary duties.

Too often, companies appear to overlook valuable potential in key communities such as the LGBT community. Fewer than one percent of current Fortune 500 board directors are openly LGBT. Only a handful of Fortune 500 boards include sexual orientation and gender identity in their definition of board diversity.¹

Diversity not only matters in the boardroom; it is crucial at all levels of a company. Visible LGBT leadership from the top down is a key to creating supportive and inclusive work environments. In the U.S., 49 percent of LGBT workers report hearing discriminatory remarks in the workplace and 16 percent report personally experiencing harassment in the previous year.² LGBT employees are 85 percent more likely to be out at companies where senior executives are out.³

Critically, LGBT inclusiveness impacts the bottom line: research indicates that LGBT-embracing companies deliver 10 percent higher return on equity.⁴

To promote a more inclusive approach in boardrooms and throughout companies, we are asking our peers to take action.

¹ Out Leadership. <http://outleadership.com/quorum/>. Viewed May 6, 2016.

² Ian Johnson and Darren Cooper. "LGBT Diversity: Show Me The Business Case." Out Now Global. February 2, 2015. <http://www.outnowconsulting.com/media/13505/Report-SMTBC-Feb15-V17sm.pdf>.

³ Sylvia Ann Hewlett, Todd Sears, Karen Sumberg, and Christina Fagnoli. "The Power of 'Out': 2.0." Center for Talent Innovation. February 1, 2013. <http://www.talentinnovation.org/publication.cfm?publication=1390>.

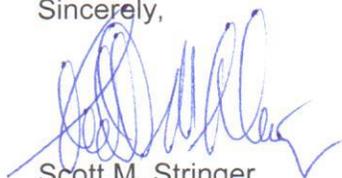
⁴ Dr. Akousa Barthwell Evans (The Barthwell Group) and Julia Dawson (Credit Suisse). "Diversity and Inclusion: Evidence on Corporate Performance." Presented to the CalPERS Investment Committee. April, 2016. <https://www.calpers.ca.gov/docs/board-agendas/201604/invest/item10a-01.pdf>.

First, we invite companies and investors to assess their policies and practices to ensure that efforts to promote diversity are inclusive of the LGBT community. We are proud that the funds we serve have adopted corporate governance policies and proxy voting guidelines that call on companies to recruit diverse boards, with diversity explicitly defined to include the LGBT community. In our funds' policies, we define our expectations that board directors collectively possess the requisite skills, backgrounds, and expertise to oversee the company's strategy and risks, and be inclusive of people of diverse gender, race, and sexual orientation. These policies are available online for CalPERS,⁵ CalSTRS,⁶ and the New York City Pension Funds.⁷

Second, we encourage companies and investors to explore resources that offer the opportunity to identify prospective board members from the LGBT community, such as Out Leadership's Quorum initiative (www.outleadership.com/quorum/). The Quorum initiative has developed a comprehensive database of prospective LGBT directors, as well as board training and candidate networking events.

As long-term and diversified investors, we know that our economy works best – and our investment returns excel – when we harness the energy and talent of diverse communities. We welcome you to join us in this effort. If we can be of any assistance, please contact either Lynn Paquin, Deputy Controller – Investments and Financial Management, at (916) 324-9756 or LPaquin@sco.ca.gov, or Scott Zdrazil, Director of Strategy and Corporate Engagement, at (212) 669-2516 or szdrazi@comptroller.nyc.gov.

Sincerely,



Scott M. Stringer
New York City Comptroller



Betty T. Yee
California State Controller

⁵ California Public Employees' Retirement System (CalPERS). "Global Governance Principles." March 14, 2016. <https://www.calpers.ca.gov/docs/policy-global-governance.pdf>, p. 19.

⁶ California State Teachers' Retirement Systems (CalSTRS). "Corporate Governance Principles." April 3, 2015. http://www.calstrs.com/sites/main/files/file-attachments/corporate_governance_principles_1.pdf and http://calstrs.com/sites/main/files/file-attachments/best_practices_in_board_composition.pdf, p. 6.

⁷ New York City Employees' Retirement System, New York City Police Pension Fund, New York City Fire Department Pension Plan, and Board of Education Retirement System of the City of New York. "Corporate Governance Principles and Proxy Voting Guidelines." April 2016. http://comptroller.nyc.gov/wp-content/uploads/documents/Corporate_Governance_Principles_and_Proxy_Voting_Guidelines.pdf, p. 12; New York City Teachers' Retirement System. "Corporate Governance Principles and Proxy Voting Guidelines." April 2016. <https://www.trsnyc.org/ASPENMemberPro/Account/ourRetirementBoard>, p. 12.

The letter above was sent to the following recipients:

Mr. Kurt Summers, Chicago City Treasurer
Ms. Denise L. Nappier, Connecticut State Treasurer
Mr. Chris Brown, Houston City Controller
Mr. Michael W. Frerichs, Illinois State Treasurer
Mr. Joseph Kelly, Los Angeles County Treasurer and Tax Collector
Ms. Nancy K. Kopp, Maryland State Treasurer
Ms. Deborah B. Goldberg, Massachusetts State Treasurer
Mr. Mark Dayton, Governor of Minnesota
Mr. Thomas P. DiNapoli, New York State Comptroller
Ms. Janet Cowell, North Carolina State Treasurer
Mr. Ted Wheeler, Oregon State Treasurer
Mr. Timothy A. Reese, Pennsylvania State Treasurer
Ms. Rasheia R. Johnson, Philadelphia City Treasurer
Mr. Seth Magaziner, Rhode Island General Treasurer
Mr. Dan McAllister, San Diego County Treasurer-Tax Collector
Mr. James L. McIntire, Washington State Treasurer
Ms. Beth Pearce, Vermont State Treasurer
Ms. Malia Cohen, San Francisco Employees' Retirement System Board President
Dr. Jagdeep Singh Bachher, Chief Investment Officer and Vice President of Investments,
University of California Office of the President