

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

**A. GENERAL INFORMATION**

1. Date

October 2, 2018

2. Department

California State Teachers' Retirement System (CalSTRS)

3. Organizational Placement (Division/Branch/Office Name)

Corporate Governance - Investments Branch

4. CEA Position Title

Public Engagement Manager

5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

Under the general direction of the Investment Director of Corporate Governance, the Public Engagement Manager will provide leadership in the formulation, development and implementation of comprehensive, proactive and risk aware corporate governance engagement plans and advocacy strategies on sensitive and highly controversial Environmental, Social and Governance (ESG) issues outlined in the Investment Committee's Corporate Governance Engagement Plan and identified issues as set by the Teachers' Retirement Board (board). Of immediate and critical importance to the board is the establishment of a high profile public engagement plan and the development of advocacy strategies to address the potential material reputational and investment risks and exposure to the Fund of investing with assault-type weapon/firearm retail and manufacturers.

6. Reports to: (Class Title/Level)

Investment Director, Corporate Governance

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain): Serves as an policy advisor to the Investment Committee of the Teachers' Retirement Board, the Chief Investment Officer, Executive staff and Investment Director of Corporate Governance on high priority corporate governance issues that impact the Investment Portfolio.

8. Organizational Level (Select one)

- 1st
- 2nd
- 3rd
- 4th
- 5th (mega departments only - 17,001+ allocated positions)

## B. SUMMARY OF REQUEST

### 9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

Under the general direction of the Investment Director of Corporate Governance, the Public Engagement Manager will provide leadership in the formulation, development and implementation of comprehensive and proactive public policy engagement plans and advocacy strategies on sensitive and highly controversial Environmental, Social and Governance (ESG) issues outlined in the Investment Committee's Corporate Governance Engagement Plan and identified issues as set by the Teachers' Retirement Board (board). Of immediate and critical importance is the establishment of a high profile public engagement plan and the development of advocacy strategies to address the potential material reputational and investment risks of the Fund created from assault weapons/firearm retailers and manufacturers.

Provide leadership, management and policy direction on specific designated high profile issues within the Corporate Governance program, with emphasis on the Investment Committee's highest corporate governance ESG issue priorities, with the first priority to develop a public engagement plan that addresses investment risks and ESG risks regarding assault weapons/firearm retailers and manufactures. Provide leadership and technical expertise to build CalSTRS' capacity for advocacy and develop advocacy strategies and campaigns on sensitive public policy ESG issues. Oversee the formulation of public engagement strategies and activism approaches that elevate CalSTRS' voice, influence change, and achieve acceptable outcomes on these issues. Manage the coordination between CalSTRS Public Affairs and stakeholder engagement staff on highly sensitive communication strategies and approaches, media relations, and stakeholder engagement activities, to develop compelling messages, leverage social momentum, and promote public awareness and understanding of high profile public policy and social issues that have potential for material reputational and investment risk to the Fund.

Lead specific engagement activities with corporate management of the companies in which CalSTRS invests to enhance governance safeguards that reduce potential reputational and investment risk associated with special public policy ESG issues. Develop strategic approaches to develop policy driven discussions with these organizations to influence positive change in the way they do business and mitigate exposure and risks to the portfolio. Continually monitor, assess and follow-up with the corporate management to ensure these organizations are responsive to CalSTRS' concerns and are fulfilling their commitments. Manage the building of strategic coalitions, collaborators and the development of partnerships with U.S. and non U.S. pension systems, advocacy groups, and other institutional investors and nongovernmental (NGOs) agencies with aligned interests to advance CalSTRS policy goals. Monitor the advocacy policy environment and evaluate impact of advocacy efforts. Identify strategies that enhance advocacy success and determine the use of resources where they will have the greatest impact.

Serve as a public ESG policy advisor to the Chief Investment Officer, Deputy Chief Investment Officer, Director of Corporate Governance, Executive Staff and the board's Investment Committee recommending policies and strategies in support of the Annual Governance Engagement Plan. Participate in Investment Committee meetings and deliver formal written and oral presentations that assist the committee in rendering decisions on sensitive, high profile public policy and controversial ESG issues. Provide critical subject matter expertise in the areas of company engagement, public awareness campaigns, and the building of strategic advocacy programs. Provide briefings on CalSTRS engagement efforts, progress of engagement activities, successes and challenges.

Represent CalSTRS at meetings of advocacy groups and professional organizations with aligned interests to build and maintain strong networks in order to achieve policy initiatives. Provide written and oral advocacy and testimony before state and federal legislative committees to influence public policy change and advance the interests of CalSTRS. Advise and assist CalSTRS Governmental Relations staff on technical policy implications and effects of legislation. Make policy recommendations on the impacts of new and proposed legislation.

Maintain professional contacts in the advocacy industry. Serve as a Senior Leadership representative on CalSTRS governance councils, and organization-wide forums and project teams.

**B. SUMMARY OF REQUEST (continued)**

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: CalSTRS' mission is to secure the financial future and sustain the trust of California's educators. It is the fiduciary responsibility of the Teachers' Retirement Board (board) to discharge its duty in the exclusive interest of the participants and beneficiaries and for the primary purpose of providing benefits to participants and their beneficiaries.

The proposed CEA position will reside in CalSTRS Corporate Governance Division within the Investments Branch. The objective of the board's corporate governance efforts is to enhance long-term shareholder returns. The board views its corporate governance role as that of a catalyst for enhanced management accountability, disclosure and performance. CalSTRS believes that the companies it invest in should be accountable to shareholders as investors and providers of capital. As stewards of capital for over 933,000 beneficiaries and their families, corporate governance is one way to protect and grow the portfolio over the long term. CalSTRS is committed to holding and managing equity investments and to exercising the shareholder rights appurtenant to those investments, all for the benefit of its participants and beneficiaries.

The CEA will be charged with the formulation, development, and implementation of comprehensive public engagement plans and strategies with companies in which CalSTRS invests, to address potential material reputational and investment risks and exposure to the Fund outlined in the Investment Committee's Annual Corporate Engagement Plan, the Environmental, Social and Governance (ESG) Policy and identified as the highest priorities of the board. The purpose of these engagements is to increase the long-term value of the companies in which CalSTRS invests, protect the CalSTRS portfolio and enhanced CalSTRS reputation within its stakeholder groups.

## **B. SUMMARY OF REQUEST (continued)**

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

The Teachers' Retirement Board (board) is charged with maintaining a strong, stable fund in order to pay benefits to CalSTRS members and their survivors. To fulfill that responsibility, the board understands the CalSTRS portfolio as the foundation of its members' retirement security and that good corporate governance is essential to the safety of the portfolio. CalSTRS has had a long history of considering the risk from material, environmental and social risks of the companies in which it invests. The board's Investment Committee has adopted an Investment Belief statement which states, in part, that responsible corporate governance, including the management of environmental, social and governance (ESG) factors, can benefit long-term investors like CalSTRS. CalSTRS believes that, in addition to traditional financial metrics, timely consideration of material environmental, social and governance factors in the investment process for every asset class, has the potential, over the long-term, to positively impact investment returns and help to better manage risks. CalSTRS believes the companies it invests in should be accountable to shareholders as investors and providers of capital. As a large and long-term investor, CalSTRS is in a position to exert influence on the companies in which it has invested and has developed robust principles, policies and standards for fair and open governance of these companies. As long-term owners and lenders to companies around the world, the Teachers' Retirement Fund's duty is to protect those assets through the pursuit of good governance and operational accountability.

In recent years, CalSTRS has dealt with high profile, controversial and sensitive issues requiring complex, thoughtful and transparent dialogue with the legislature, CalSTRS members, member organizations, companies in which it invests, and other external stakeholders. This includes CalSTRS' decision to divest from certain firearm manufacturers following the shooting at Sandy Hook Elementary School in Newtown, Connecticut in 2013. CalSTRS sold all publicly traded companies that met this criterion and was able to exit from its exposure in private partnership. The board's Investment Committee invoked its Divestment Policy and took action to divest from all firearm manufacturers that manufacture weapons for sale to the public which are illegal in the State of California, such as the assault-type weapons/firearms used in the Sandy Hook shooting. After the October 2017 Las Vegas shooting, State Treasurer John Chiang wrote a letter to the Chair of the Investment Committee urging CalSTRS to divest from retailers of assault weapons/firearms and the accelerators that allow weapons to fire rapidly. CalSTRS was touched personally by the tragic loss of life in Las Vegas, specifically three CalSTRS members - teachers who dedicated their careers to the service of youth and whose lives were cut short by gun violence. In February 2018, a shooting occurred at the Marjory Stoneman Douglas High School in Parkland, Florida that resulted in the tragic death of 14 students and three staff members.

The board's Investment Committee has consulted with its general investment consultants and investment staff regarding the investment and legal risks to the CalSTRS portfolio of owning assault-type weapon/firearms manufactures and retailers in its investment portfolio. After careful consideration, the Investment Committee has determined that there is potential material reputational and investment risk associated with exposure to assault-type weapons/firearms manufactures and retailers. The board has revised its 2018 Corporate Governance Engagement Plan to add the engagement of companies that manufacture and sell assault-type weapons/firearms and placed it at the top of its current corporate governance priorities. As the world's largest teacher pension fund, CalSTRS recognizes that classrooms are meant to be sacred spaces for children to learn and grow; where fear and violence have absolutely no place and will not be tolerated. The board has directed CalSTRS staff to develop and implement a comprehensive company engagement plan that will emphasize engagement prior to any divestment.

Per the board's directive, CalSTRS seeks to establish a CEA in the Investments Branch, reporting to the Investment Director of Corporate Governance, to provide leadership in the formulation, development, and implementation of comprehensive public policy engagement plans and strategies to address potential material reputational and investment risks and exposure to the Fund that are of the highest priority to the board. The sensitivity surrounding CalSTRS investments engagement and its divestment decisions requires the establishment of a CEA to provide the necessary leadership to develop a comprehensive public engagement plan and make policy recommendations on the impacts of legislation and regulation regarding identified issues and how it affects CalSTRS and its members. These engagement activity goals are to bring about change in the way these companies do business and leverage the power of being a large investor to influence positive, lasting change to enhance the the fund assets for the benefit of CalSTRS members.

### C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

The CEA will be a member of the Investment Branch Leadership team which is responsible for providing program and public policy direction, carrying out the Investment Branch's Annual Business Plan and the Investment Committee's Annual Corporate Engagement Plan. As fiduciaries for California's teachers, CalSTRS is committed to the proposition that better corporate governance leads to greater long-term value of its investments. As investors, CalSTRS wants assurance from the corporations in which it invests that governance safeguards are put in place to mitigate risks. It is CalSTRS fiduciary responsibility as active shareholders to advance the highest ethical standards. Long-term value creation through corporate governance is significant to providing better investment returns. The CEA's policy role includes, but is not limited to the following:

- Provide leadership in the development and implementation of comprehensive and proactive engagement plans and strategies with emphasis on the CalSTRS board's Investment Committee's highest corporate governance ESG priorities, which are often high profile, sensitive and controversial. Initially, the CEA will lead company engagement efforts and activities to elevate CalSTRS voice, influence change, and achieve acceptable outcomes that reduce potential reputational and investment risk associated with owning assault-type weapons/firearms manufactures and retailers in its investment portfolio.
- Provide leadership and technical expertise to build and strengthen CalSTRS capacity for advocacy, develop advocacy strategies and campaigns, and leverage social momentum on high priority and high profile ESG issues that have potential impact the CalSTRS investment portfolio, with the first priority being the development of advocacy programs aligned with the assault-weapons/firearms engagement plan. The CEA will provide expertise in the building of strategic coalitions with external entities with aligned interests to leverage resources and fill critical gaps towards achieving policy change. The CEA will lead the development of partnerships with other U.S. and non U.S. pension systems, institutional investors, advocacy groups, and other nongovernmental (NGOs) agencies and coordinate collaboration to advance CalSTRS' policy goals. The CEA will provide leadership and technical expertise to monitor the advocacy policy environment on these issues, track and evaluate current political and social developments, and evaluate the impact of advocacy efforts.
- Actively engage, in a constructive manner, with corporate management of the companies in which CalSTRS invests to articulate CalSTRS policy position and influence positive change in the way they do business to enhance the fund assets. The CEA will monitor, assess and follow-up with the corporate management of these organizations to ensure they are responsive to concerns, fulfilling their promises, and keeping their word.
- Advise and assist CalSTRS governmental relations staff on technical investment and CalSTRS policy implications and effects of legislation. The CEA will make policy recommendations on the impacts of new and proposed legislation and regulations for early and effective resolutions to conflicts with existing Investment policy. As necessary, the CEA will provide oral and written advocacy and testimony before state and federal legislative committees.
- Prepare and present reports to the board's Investment Committee on the progress of engagement activities and advocacy programs and provide updates on the status and effectiveness including successes and challenges.

**C. ROLE IN POLICY INFLUENCE (continued)**

**13. What is the CEA position's scope and nature of decision-making authority?**

The CEA will provide leadership in the formulation, development and implementation of comprehensive, proactive and risk aware company engagement plans and advocacy strategies on sensitive and highly controversial issues outlined in the Investment Committee's Corporate Governance Engagement Plan and identified as the highest ESG corporate governance priority of the Teachers' Retirement Board.

The incumbent will serve as a policy advisor to the Chief Investment Officer, Deputy Chief Investment Officer, the Investment Director of Corporate Governance, the Executive team and the board's Investments Committee recommending and implementing policies and strategies in support of the Annual Governance Engagement Plan, risk management, and fiduciary responsibility. The incumbent will participate in board meetings providing critical subject matter expertise in the areas of company engagement and the building of strategic advocacy programs.

The CEA will have full management authority to formulate and implement strategies and approaches for activism and company engagement on ESG issues of critical importance to board. The incumbent will develop strategic approaches to facilitate policy driven discussions with companies in which CalSTRS invests on high profile, sensitive and controversial issues that impact the CalSTRS investment portfolio. The CEA will interact and engage with top management of companies in which CalSTRS invest, for the purposes of influencing positive change in the way they do business.

The CEA will have full management authority to develop strategic coalitions and effective partnerships with other U.S. and non U.S. pension systems, advocacy groups, and other NGOs and coordinate collaboration to advance CalSTRS' policy goals. The CEA will have authority to select strategies that enhance chances for advocacy success and determine the use of resources where they will have the greatest impact.

In collaboration with CalSTRS Governmental Relations staff, the CEA will interact with public policymakers, the media and will provide testimony before state and federal legislative committees as required.

In collaboration with CalSTRS Public Affairs staff, the CEA will develop clear, compelling messages to specific audiences for all aspects of the advocacy program including social media, media communications, and community and stakeholder outreach.

**14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?**

There continues to be strong interests from stakeholders regarding CalSTRS investments and action to bring about a change in corporate activity in certain areas that target ESG and social justice issues. Each year, CalSTRS determines key environmental, social and governance issues it will focus on during its engagement with portfolio companies during the coming year. The issues are chosen based on their relevance as well as the risks they pose within the CalSTRS Portfolio. The CEA will develop engagement plans, strategies and approaches on potentially highly sensitive and controversial issues that the board prioritizes as high risk to the Fund.