

MUTUAL FUND BOARD DIVERSITY



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Board Diversity and Value Creation

The Illinois State Treasurer's Office recognizes that **diversity drives value creation for companies and investors**. That includes diversity among leadership bodies, including corporate boards and mutual fund boards.

While many investors have focused on corporate boards, less attention has been placed on the diversity of mutual fund boards. In this area, there are significant diversity shortfalls. **Successful boards make successful companies**, and research indicates boards that embrace the strategic value of diversity are better positioned for sustainable financial success.

Methodology and Outreach Effort

In 2019, the Illinois State Treasurer's Office surveyed its mutual fund providers to assess levels of mutual fund board diversity. We asked 26 fund families to provide the gender and racial diversity among their mutual fund board members.

The survey process identified leaders and laggards, as well as providers that did not disclose. Follow up was conducted with diversity leaders to gather best practices and recommendations. Outreach was also conducted with laggards and those that did not disclose in order to provide best practices and recommendations for improvement.

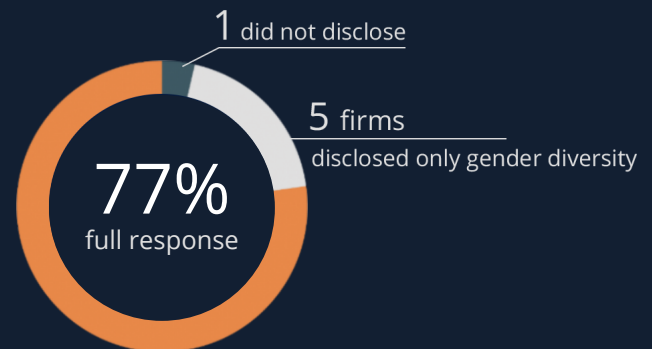
Results

The results of our initial survey are as follows:

January 2019



surveys sent to **26** fund families



In the U.S. civilian labor force, women make up **47%**



Average percentage of **WOMEN** trustees
 **33%**

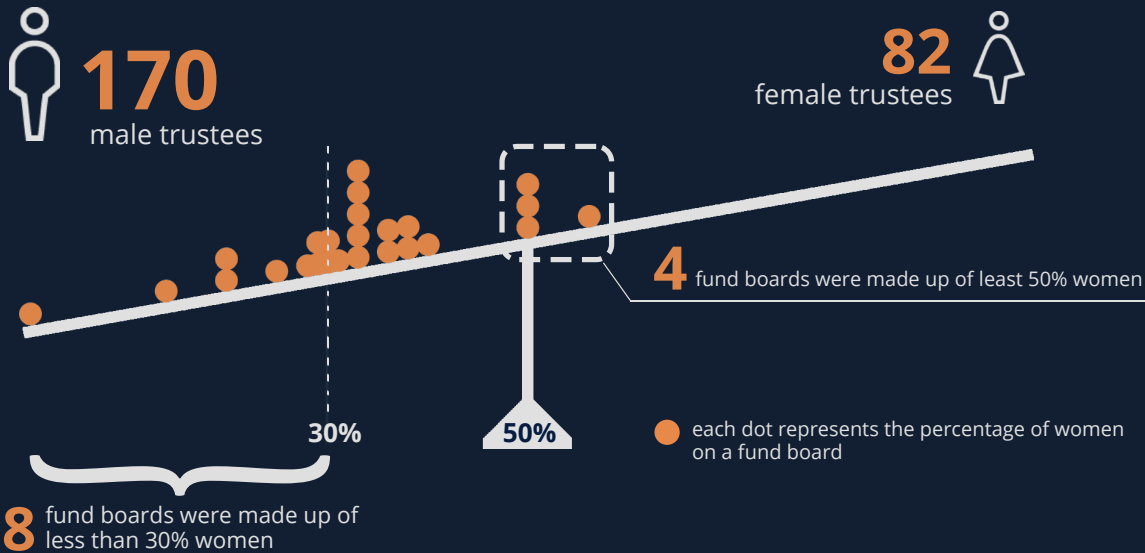
In U.S. population, racial minorities make up **39%**



Average percentage of **MINORITY** trustees
 **17%**

Gender Diversity

of 25 firms reporting gender information



32% of mutual fund boards (8 of 25) had less than 30% women.

Only 16% of mutual fund boards (4 of 25) had more than 50% women.

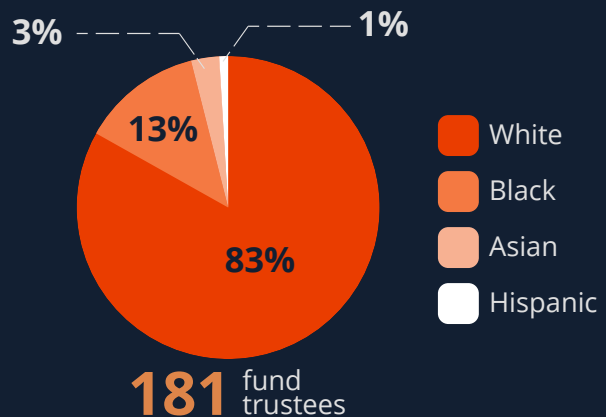
Racial/Ethnic Diversity

of 20 firms reporting gender & racial information

Women trustees are more racially diverse compared to the male trustees.

No board member in this survey is identified as multiracial or Native American.

Hispanic and Asian directors account for only 7 of the 181 directors (4%) who disclosed their race and gender.



Next Steps and Recommendations

This list of insights is compiled from discussions with firms that were identified as leaders in board diversity within their mutual fund vehicles:

1. Develop a culture around diversity throughout the organization and understand the commitment to diversity among vendors such as search firms
2. Emphasize the commitment to diversity in Selection Guidelines
3. Encourage the inclusion of diverse candidates in selection pool (consider a diverse search policy if possible – Rooney Rule)
4. Create and/or attend events that increase the firm's exposure to diverse talent
5. Increase transparency around board composition including diversity data
6. Have periodic discussions surrounding succession planning

