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# Diversity a factor in Chicago Teachers' decision to pass on Blackstone, Brookfield

*But CIO Angela Miller-May stressed it wasn't the clincher in its recent decision to allocate \$50m with IFM Investors and Ullico Investment Advisors.*

By **Jordan Stutts** - 6 June 2018

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A deficit in workplace diversity contributed to heavyweight managers **Blackstone Group** and **Brookfield Asset Management** being passed up for a recent \$50 million infrastructure allocation by a Chicago pension, according to its chief investment officer.

Angela Miller-May, CIO of the \$10.8 billion **Chicago Teachers' Pension Fund**, said board members considered the ethnic and gender make-up of four firms – which also included **IFM Investors** and **Ullico Investment Advisors** – along with fee levels, investment experience and return expectations, when it made the allocation last month.

CTPF chose to allocate \$35 million to Australia's IFM Investors and \$15 million to Ullico.

“Blackstone and Brookfield are still challenged with some diversity issues. And while they're working on it, they're just not there yet,” Miller-May told *Infrastructure Investor*. “We want to make sure we make the right decision that's going to protect the assets of the pensioners and at the same time we want to be responsible with our investing, making sure we're investing with diverse and inclusive managers.”

Workplace diversity was not the deciding factor for CTPF's allocation, but it is an issue the pension stresses to new and existing fund managers, Miller-May said.

“Not to say Blackstone and Brookfield aren’t great firms, as we already partner with them,” she explained. “It was more of just a preference this time.”

CTPF committed \$50 million to Brookfield Infrastructure Fund III in 2015 and hired Blackstone as a real estate debt manager in 2016.

A Blackstone spokesperson told us: “Half of our eight largest businesses have women or diverse talent in their top two leadership positions, and we have seen marked improvement in diversity across all levels of the firm. We are optimistic that our steady and growing pipeline of diverse talent will lay the foundation for continued improvements in the future.”

A spokesperson for Brookfield said: “Brookfield is deeply committed to diversity as having a workforce encompassing varied backgrounds and perspectives is critical for business success. We are making good progress and are actively looking to continue to strengthen the diversity across our business and at the board level.”

While like-for-like information was difficult to obtain, sources close to Blackstone and Brookfield told us that professional women working outside support roles make up 30 percent of Blackstone’s total workforce, with women and ethnic minorities comprising almost 40 percent of the heads of its businesses and groups. In Brookfield’s case, women make up around 45 percent of the firm’s global workforce and 30 percent of leadership positions.

A document prepared for CTPF by IFM and seen by *Infrastructure Investor* shows women making up around 40 percent of the firm’s US office and ethnic minorities 36 percent. Ullico did not respond to a request for comment for this story and information about its workforce proved unable to obtain by press time.

## **Performance is key**

Miller-May said the first reason CTPF chose IFM is for its 20-year track record investing in infrastructure, and because it is owned by Australian pension funds so there is an “alignment of interests”. Ullico was chosen because it is a small, local firm “that would be a good complement” to IFM. She added IFM and Ullico

offered lower fees, when including added incentives, than Blackstone and Brookfield.

Another factor in CTPF's decision was that IFM and Ullico were not offering new funds and have already built a portfolio of assets. The pension was considering allocating to **Blackstone Infrastructure Partners** and **Brookfield Super-Core Infrastructure Partners**, both launched in the past year with no investments yet, according to Miller-May.

“Performance plays the most important role in investment decisions,” Miller-May said, but “the teachers are a diverse group and they want to do business with groups that feel the same way about diversity and inclusion”.

CTPF places an emphasis on working with women and minority-owned fund managers. The pension has allocated up to 35 percent of its funds for such managers and businesses they invest in, according to a report published last November by London-based think tank New Financial.

### **‘Rising mindfulness’**

Institutional investors are increasingly considering workplace diversity in their investment decisions, according to the New Financial report. The organisation researched and surveyed how 100 global asset owners, managing a combined \$8 trillion, weigh diversity issues in their own management and whom they invest with. CTPF was included in the report.

Nearly three-quarters of the report's sample mention diversity in their annual reports, with the goal “to improve decision-making” as the most-cited reason for tackling diversity.

Emily Mendell, a spokeswoman for the Institutional Limited Partners Association, an organisation that advances the interests of its 450-member investors, told *Infrastructure Investor* there is a “rising mindfulness” among LPs that “diversity is a strength” when looking at fund managers.

She said there is a growing recognition that diverse viewpoints will enhance investment strategy and that “a more diverse firm also has the opportunity to minimise headline risk of discrimination and harassment”.

“Investments always need to be made with the commitment to fiduciary duty at the forefront,” Mendell said. “But understanding how diversity is a strength and making positive investment decisions in favour of diverse teams – all else being equal – sends a clear message without sacrificing anything on the fiduciary front.”

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