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Nonprofit Leaders Spotlight

# Rochelle Witharana, Chief Financial Officer, California Wellness Foundation

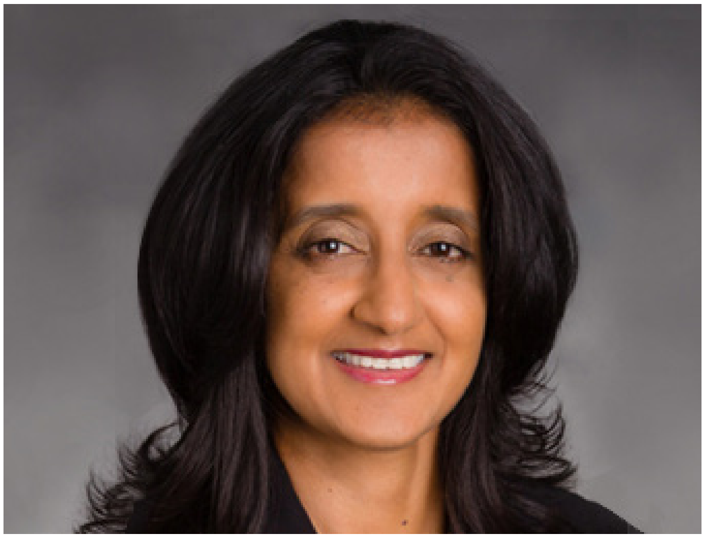
*George Suttles, Director of Research, Commonfund Institute*

*With nearly $1 billion in assets, The California Wellness Foundation (Cal Wellness), is one of California's largest public health philanthropic institutions. Cal Wellness awards approximately $43 million annually in grants and program-related investments that promote health equity, justice and advocacy for communities and individuals whose lives and wellness are too often curtailed by their race, income, immigration status or where they live. Rochelle Witharana is the Chief Financial Officer.*

**Tell us a little bit about the history of Cal Wellness. What is the focus of the foundation and where does the funding come from?**

Cal Wellness was created in 1992 when Health Net, then a non-profit health insurance company, converted to a private corporation. We owe a great debt to the activists who fought to make sure that Health Net's assets were fairly valued, thereby creating the endowment for Cal Wellness.

> *The research shows that diverse teams have as good or better performance than non-diverse teams.*
> *— Rochelle Witharana*



**Rochelle Witharana**
Chief Financial Officer, California Wellness Foundation

Over the years, the foundation has taken on some of the most contentious issues of our time, all focused on advancing health and wellness for underserved people. For example, Cal Wellness' earliest efforts made the connection between public health and gun violence prevention, and supported teen pregnancy prevention, healthy working conditions and place-based grantmaking as key issues contributing to health.

### How did you come to be at the foundation and what is your role there?

I came to Cal Wellness in 2015, from the Conrad Hilton Foundation where I spent a couple of years. That was my first foray into philanthropy. The opportunity at Cal Wellness attracted me because I liked the challenge to really build out the mission related investing portfolio at the time when mission related investing was still new. The board was ready to diversify the portfolio into alternative investments and it was an exciting opportunity to help.

I had a vision of being a Chief Financial Officer (CFO), and it's been great to step into that role here at Cal Wellness. I am passionate about the mission of the organization and the opportunity to blend my professional and personal passions in my work.

I started my career with Deloitte in California but my first exposure into portfolio construction and asset allocation came when I was hired to do investment consulting for the Arizona State Retirement System (ASRS) where I helped them set up the investment, accounting and operations for their newly implemented alternative investments portfolio. During my tenure the portfolio grew from 6 to 150 funds and I was eventually brought on as a full-time controller.

Next, I went to work as a consultant for the ASRS plan auditors, and eventually moved back to California to work for the Conrad Hilton Foundation. I'm also a CPA, certified in both California and Arizona.

Community service is very important to me. I currently serve on the board of Peace over Violence, an organization that supports survivors of domestic violence. In the past, I sat on the board of APWC, another domestic violence shelter that serves Asian Americans. I'm also a part of an organization that supports underprivileged communities and orphanages in Sri Lanka.

### Out of your peers on the foundation finance/investment side, do you find there are many women? Women of color?

A college professor of mine once sat me down and told me "You are going to have a hard road as a woman of color, you are going to work twice as hard." In the foundation space in general, a woman of color working in finance positions, especially in finance leadership is rare. But when I go to certain foundation industry meetings there is a fair number of women, but the representation by women of color is low.

> *“…our investments are creating opportunities for diverse managers, but we count on them to perform just as well as any other manager.*
> *— Rochelle Witharana*

I felt my elevation to CFO at Cal Wellness was intentional. Judy Belk, the President/CEO of the foundation, and Peggy Minnich, my predecessor, invested in me and gave me opportunities to learn and grow. They supported my career advancement through my participation in the Council on Foundations (CoF) Career Pathways, a program that helps build a pipeline of people of color to prepare for senior foundation leadership. They also supported my time with the Investment Stewardship Academy, which helped me to learn more about the investment side of foundation finance. Judy is a champion and advocate for women in foundation leadership, and she and I had conversations about succession planning as Peggy prepared to retire. I did have to compete for the CFO role, but I had been mentored so that when the opportunity came, I was prepared. I felt ready and confident when I was offered the chance to take on the job.

**Diversity, Equity, and Inclusion (DEI) seems to be a focus for foundations across the country, how does Cal Wellness think about DEI? What is the foundation implementing around DEI?**

In general, foundations are integrating DEI initiatives into their frameworks, so that is promising, but I don’t know how consistent or deep the initiatives are. I know some are thinking about it in their hiring practices, and others in their supply chain. At Cal Wellness, we are also pushing our partners to think about this. For example, with auditing and tax services, all up and down the supply chain, we are asking partners to share their diversity information. It’s eye-opening to look at the statistics of the larger firms and see that those diversity numbers really haven’t changed, which is disappointing. What Cal Wellness can do is start the conversation with our partners and make the issue top of mind for them, so we ask them to tell us how they recruit, retain, and elevate people of color into leadership roles across the board. At the same time, we know we need to focus on the finance and audit side since our vendors tend to be in that space.

**George Suttles**
Director of Research, Commonfund Institute

**What about diverse managers? Tell me a little bit more about why Cal Wellness is focusing on supporting and investing with diverse managers.**

Cal Wellness has a strong commitment to seeing more resources in the hands of diverse managers (women and people of color), and we incorporate that commitment into our due diligence process. We’re looking for women and people of color to have ownership and management of these funds as well as be represented throughout the rest of the team. We are working toward creating an intentional program where we allocate a certain amount of the portfolio to diverse managers. Some consultants and managers that we interact with don’t even want to have the conversation about diversity, so we can leverage our position to start these conversations. For us, if a consultant or manager doesn’t want to have the conversation, we take that into consideration when deciding whether to invest our funds with them. Our board recently rejected an investment because the firm didn't even want to address the issue of diversity. Others are more receptive and making changes because they recognize that lack of diversity is a problem and are working to address it.

One of the reasons we're focused on supporting and investing with diverse managers is because we want to disrupt the way that capital reinforces structural racism and sexism. Diverse investment managers do not have the access to the capital that White male managers have. They find that investors are reluctant to entrust their money to diverse teams. In the capital markets, trillions of dollars flow through networks of large institutions such as foundations and pension funds, the majority of which are led and managed by White men who have built trusted relationships with one another. People tend to invest with people they know and with whom they can identify. Diverse managers don't belong to the networks that manage most of the capital in this country.

The research shows that diverse teams have as good or better performance than non-diverse teams. When we choose to invest in diverse investment managers, we're not grantmaking or doing charity. Yes, our investments are creating opportunities for diverse managers, but we count on them to perform just as well as any other manager.

Also, diverse managers can source deals that White managers might not be able to source. Diverse managers tend to have more access to and trust from entrepreneurs of color. As a result, that entrepreneur will be more likely to trust a manager who looks like them. Having a greater variety of entrepreneurs of diverse backgrounds expands the investment opportunity and brings more ideas to the table. Over the past 5 years, we've grown our investment in diverse managers. Of our $50 million MRI portfolio, 30 percent is with diverse managers. We're also being intentional within our main portfolio. Within that portfolio, since 2015, we've grown from 0 percent to 32 percent held with diverse managers.

**Last year, the Foundation started investing more of its endowment dollars to align with mission and vision. Tell us more about that journey.**

The vision came from Judy Belk, our CEO. She came on board in 2014, and by the time I started in 2015 the conversations had already begun. My predecessor, Peggy Minnich, was enthusiastic as well. However, our board of directors was not completely convinced, so the staff and board spent two years on a learning journey. We started with a scan of our portfolio that we called a "know what you own scan" so that we understood what our investment dollars were supporting. We also asked for diversity stats from all our existing managers.

In 2015 and 2016, we hired Veris Wealth Partners to educate the board on mission-related investing; sample investments, toolkits, and strategies to incorporate diversity, equity and inclusion into our portfolio. They made presentations at every board meeting from 2015 to 2016. Staff also educated themselves by going to conferences and other convenings. For example, we attended the Mission Investors Exchange annual conference, the MRI intensive, and Confluence Philanthropy.

Toward the middle of 2016 we conducted an internal survey, gauging what the board and staff thought about mission-related investing. The survey showed strong agreement that we should develop an MRI policy, steeped in social impact and focusing on using all our assets to move our mission, not just our grantmaking dollars. The board wanted Cal Wellness to play a leadership role in advancing mission-related investing in the philanthropic field.

By the end of 2016, we presented to the board an MRI policy and proposed an initial $50 million carveout, which they approved. The carveout includes $40 million to mission-related investments and $10 million to program-related investments (PRIs). We then issued a request for proposal to find an advisor to specifically implement our MRI strategy. Our investment advisors managing our main portfolio didn't have the capability for this work at the time, but they helped us write the RFP and select an MRI advisor. Since then, our main advisor has come a long way in their learning about mission-related investing and working with diverse managers. We have really pushed them to think about these things in their own practices, and so in many ways their journey mirrors our own.

**You employ two strategies: Mission related and program related investments. These strategies complement your grantmaking and reflect your commitment to diversity, equity, and inclusion. How is this commitment operationalized?**

Our goal at Cal Wellness is to integrate DEI practices into all aspects of our work, internally and externally. We have integrated DEI into our broader portfolio as a part of our standard practice. DEI is really our de facto mode of operation, so we don't have any language in the investment policy statement (IPS), because it really is how we operate – it's in our DNA.

**Does your board ever have conversations about existing into perpetuity? Some of our colleagues discuss "spending down" or thinking about the perpetuity horizon in more definitive terms (e.g. 75 years vs. infinity).**

In 2019, the board and staff reviewed our payout policy, and we considered the question of perpetuity quite deeply. We have some board members who ask the question "Why do we need to exist 'forever'?" We have been really challenged to consider why we hold on to the majority of our dollars to secure our future when there are so many problems to tackle today. Through our inquiry process, we discovered that our articles of incorporation and charter are silent on this issue – we don't need to exist into perpetuity. We had three foundations present to our board about several options: spend down, perpetuity, and somewhere in between. It was a lively discussion, and the board has decided to operate somewhere in between – that is, we have the opportunity to raise our spend rate, which historically has been 5-5.2%. The board has approved a policy that gives us leeway to move our payout up to 6%, informed by community needs and strategy, beginning in 2020. It's important to note that our PRIs are above the budgeted payout for the year and increase our payout percentage.

To implement this approach, our consultant has mapped out scenarios where we look at different spend rates and what that would do for our return targets. The board is willing to consider different scenarios, but ultimately the additional percentage decision is left to staff to determine based on what the needs are and what we want to put more investment in.

If there are important needs in the community and opportunities to do good, strategic work to deliver on our mission, the board is open to considering a payout above 6%, based on the recommendation of the team. To that point, COVID-19 has made all the more visible deep-set racial disparities and economic inequality, so we are considering calls from activists and donor groups that foundations as a field substantially increase the payout.

**Since we first started our discussion, the world has been devasted by the COVID-19 pandemic. How is Cal Wellness responding?**

We're doing our best to rise to the challenge through our grantmaking – we've already awarded $4 million in rapid response grants. In addition to our grantmaking, we're raising our voice about racial disparities, increases in gun sales, and economic inequality. And because philanthropy can't do this alone, we're calling upon government to fulfill the role that it is duty-bound to play in protecting public health and economic security – that is provide leadership to develop a national testing and contact tracing strategy, and provide economic relief and support to underserved communities.

For our PRI partners, we've provided loan payment relief. Furthermore, we expect our board to approve a PRI to a CDFI (community development financial institution) that will fund Payment Protection Plan loans to small businesses in underserved rural and tribal areas. To relieve some of the extraordinary pressures our grantee partners are feeling, we've made some important changes in our grantmaking systems. We are:

- Extending grant periods to allow grantees more time to meet their grant objectives.
- Making funding even more flexible by removing restrictions when needed.
- Putting a moratorium on all grant reports.
- Ensuring that grants that have been approved for upcoming conferences and events remain in place, whether the event ultimately occurs or not.

Interested foundations and individuals can visit The California Wellness Foundation website for more information on their COVID-19 response.

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New York, NY 10017 Tel (646) 348-9201

San Francisco, CA 94111 Tel (415) 433-8800

London, United Kingdom Tel +44 (0) 20 7872 5504

Beijing, China Tel +86 10 5968 0198

15 Old Danbury Road
Wilton, CT 06897
Tel 888-TCF-Main
Tel (203) 563-5000
www.commonfund.org

## Market Commentary



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