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AB-890 Public employee retirement systems: investment management: reports. (2021-2022)

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Assembly Bill No. 890

CHAPTER 472

An act to add and repeal Section 22228 of the Education Code, and to add and repeal Section 20136 of the Government Code, relating to public retirement systems.

[Approved by Governor October 04, 2021. Filed with Secretary of State October 04, 2021.]

LEGISLATIVE COUNSEL'S DIGEST

AB 890, Cervantes. Public employee retirement systems: investment management: reports.

The Public Employees' Retirement Law establishes the Public Employees' Retirement System, which is funded by employer and employee contributions and investment earnings. Existing law creates the Public Employees' Retirement Fund, a trust fund, which the Board of Administration of the Public Employees' Retirement System administers for support of the system. The Teachers' Retirement Law establishes the State Teachers' Retirement System, which is funded by employer and employee contributions, state contributions, and investment earnings. Existing law creates the Teachers' Retirement Fund, a trust fund, which the Teachers' Retirement Board administers for support of the system. The California Constitution grants a retirement board sole and exclusive responsibility over the assets of a public retirement system and its administration, as specified.

This bill, until January 1, 2028, would require the Board of Administration of the Public Employees' Retirement System and the Teachers' Retirement Board to provide reports to the Legislature, commencing March 1, 2023, and annually thereafter, on the status of achieving objectives and initiatives, to be defined by the boards, regarding participation of emerging managers or diverse managers responsible for asset management within each retirement system's portfolio of investments. The bill would require the reports to contain specified information and would require the boards to define "emerging manager" and "diverse manager" for purposes of these reports. The bill would require that the reports be based on contracts that the system enters into on and after January 1, 2022, and be based on information from the prior fiscal year.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 22228 is added to the Education Code, to read:

22228. (a) Commencing March 1, 2023, and annually thereafter, the board shall submit a report to the Legislature on the status of achieving appropriate objectives and initiatives, as defined by the board, regarding participation of emerging or diverse managers responsible for asset management within its portfolio of investments. The report shall be based on contracts that the system enters into on and after January 1, 2022.

(b) The report shall also identify and include both of the following:

(1) The name of each emerging or diverse manager providing investment portfolio or asset management services at the end of the prior fiscal year, including, but not limited to, fund of funds contracts, for all asset classes, as applicable. The board shall also report the year the emerging or diverse manager was first engaged or contracted to provide investment portfolio or asset management services.

(2) The amount managed by each emerging or diverse manager by asset class at the end of the prior fiscal year, as well as the total amount allocated by the system in the applicable asset class during the year and the total amount of the asset class in the system's investment portfolio.

(c) The board shall define the term "emerging manager" and "diverse manager" for purposes of this section.

(d) The report required by this section shall be submitted in compliance with Section 9795 of the Government Code.

(e) Nothing in this section shall require the board to take action unless the board determines in good faith that the action described in this section is consistent with the fiduciary responsibilities of the board as described in Section 17 of Article XVI of the California Constitution.

(f) This section shall not require the board to disclose information that is excepted from disclosure under Section 6254.26 of the Government Code.

(g) This section shall remain in effect only until January 1, 2028, and as of that date is repealed, unless a later enacted statute that is enacted before January 1, 2028, deletes or extends that date.

SEC. 2. Section 20136 is added to the Government Code, to read:

20136. (a) Commencing March 1, 2023, and annually thereafter, the board shall submit a report to the Legislature on the status of achieving appropriate objectives and initiatives, as defined by the board, regarding participation of emerging and diverse managers responsible for asset management within its portfolio of investments. The report shall be based on contracts that the system enters into on and after January 1, 2022.

(b) The report shall also identify and include both of the following:

(1) The name of each emerging and diverse manager providing investment portfolio or asset management services at the end of the prior fiscal year, including, but not limited to, fund of funds contracts, for all asset classes, as applicable. The board shall also report the year the emerging or diverse manager was first engaged or contracted to provide investment portfolio or asset management services.

(2) The amount managed by each emerging and diverse manager by asset class at the end of the prior fiscal year, as well as the total amount allocated by the system in the applicable asset class during the year and the total amount of the asset class in the system's investment portfolio.

(c) The board shall define the term "emerging and diverse manager" for purposes of this section.

(d) The report required by this section shall be submitted in compliance with Section 9795.

(e) Nothing in this section shall require the board to take action unless the board determines in good faith that the action described in this section is consistent with the fiduciary responsibilities of the board as described in Section 17 of Article XVI of the California Constitution.

(f) This section shall not require the board to disclose information that is excepted from disclosure under Section 6254.26.

(g) This section shall remain in effect only until January 1, 2028, and as of that date is repealed, unless a later enacted statute that is enacted before January 1, 2028, deletes or extends that date.