

## ASSEMBLY THIRD READING

AB 979 (Reyes)

As Amended January 6, 2020

Majority vote

**SUMMARY:**

Requires the Board of Administration of the California Public Employees' Retirement System (CalPERS) and the Teachers' Retirement Board of the California State Teachers' Retirement System (CalSTRS) to each provide an annual report to the Legislature on the use of emerging managers.

**Major Provisions**

- 1) Requires, beginning March 1, 2021, and annually thereafter, CalPERS and CalSTRS each to submit a report to the Legislature on the status of achieving appropriate objectives and initiatives regarding participation of emerging managers responsible for asset management within their respective portfolios of investments. The report must identify and include all of the following:
  - a) The name of each emerging manager providing investment portfolio or asset management services, at the end of the prior fiscal year, including, but not limited to, fund of fund contracts, for all applicable asset classes.
  - b) The amount managed by each emerging manager by asset class at the end of the prior fiscal year.
- 2) Provides that the reporting requirements apply to new contracts with emerging managers entered into by CalPERS and CalSTRS, respectively, on January 1, 2020, and based on information from the prior fiscal year.

**COMMENTS:**

Pursuant to SB 294 (Price), Chapter 701, Statutes of 2011, CalPERS and CalSTRS were required to provide a five-year strategic plan for emerging manager participation across all asset classes, and to submit an annual report to the Legislature regarding the progress of the strategic plan. This law was automatically repealed on January 1, 2018, due to a sunset clause which was not repealed nor extended.

The term "emerging manager" is left to the respective Boards of CalPERS and CalSTRS to define. Generally, this term typically relates to start-up, relatively new, and minority and women-owned investment firms.

For numerous years, CalPERS and CalSTRS each have used emerging managers to assist not only in the diversity of investment firms for purposes of asset management, but also in the diversity of assets as part of their respective investment portfolios. The emerging manager programs serve as incubators for these firms towards gaining valuable experience in managing investment assets of the pension funds.

Please see the policy committee analysis for a full discussion of this bill.

**According to the Author:**

"Previously, CalPERS and CalSTRS were required to provide a five-year strategic plan for emerging manager participation across all asset classes of their investments, and to submit an annual report to the Legislature regarding the progress of their strategic plans.

'Although CalPERS and CalSTRS submitted reports to the Legislature last year, that law sunset on January 1, 2018. This bill simply places back into law, required annual reports to the Legislature from CalPERS and CalSTRS regarding their use of emerging managers for purposes of investment and asset management."

**Arguments in Support:**

According to the California Judges Association, "[f]or numerous years, each system has utilized emerging managers to assist not only in the diversity of investment firms for purposes of asset management, but also in the diversity of their respective investment portfolios. The emerging manager programs also serve as incubators for these firms towards gaining valuable experience in the investment arena. [This bill] would recodify required annual reporting to the Legislature relating to the use of emerging managers within the investment portfolio."

**Arguments in Opposition:**

None on file.

**FISCAL COMMENTS:**

According to the Assembly Appropriations Committee, this bill would result in a moderate fiscal impact, less than \$150,000 annually, for CalPERS and CalSTRS to produce the report each year.

**VOTES:****ASM PUBLIC EMPLOYMENT AND RETIREMENT: 4-1-2**

**YES:** Rodriguez, Cooley, Cooper, Fong

**NO:** O'Donnell

**ABS, ABST OR NV:** Voepel, Cervantes

**ASM APPROPRIATIONS: 17-0-1**

**YES:** Gonzalez, Bigelow, Bloom, Bonta, Brough, Calderon, Carrillo, Chau, Diep, Eggman, Fong, Gabriel, Eduardo Garcia, Maienschein, Petrie-Norris, Quirk, Robert Rivas

**ABS, ABST OR NV:** Megan Dahle

**UPDATED:**

VERSION: January 6, 2020

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