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THIRD READING

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Bill No: AB 890  
Author: Cervantes (D), et al.  
Amended: 5/24/21 in Assembly  
Vote: 21

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SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 5-0, 7/5/21  
AYES: Cortese, Ochoa Bogh, Durazo, Laird, Newman

SENATE APPROPRIATIONS COMMITTEE: 5-2, 7/15/21  
AYES: Portantino, Bradford, Kamlager, Laird, Wieckowski  
NOES: Bates, Jones

ASSEMBLY FLOOR: 65-10, 6/1/21 - See last page for vote

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**SUBJECT:** Public employee retirement systems: investment management:  
reports

**SOURCE:** New America Alliance

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**DIGEST:** This bill requires the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) to each produce and submit an annual report on the participation of emerging managers or diverse managers under contract with each respective fund to manage pension fund assets.

**ANALYSIS:**

Existing law:

- 1) Establishes CalPERS and CalSTRS. (Government Code § 20170 et seq. and Education Code § 22001 et seq.)
- 2) Vests the Boards of Administration for CalPERS and CalSTRS with management and executive control of the administration and investment of the respective retirement funds. (GC § 20171 and ED § 25931)

- 3) Provides that California's public retirement systems shall have "plenary authority and fiduciary responsibility for investment of monies and administration of the system." In addition, "[t]he members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system." (Cal. Const., Art XVI, § 17)
- 4) Prohibits the state from discriminating against, or granting preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting. (Cal. Const., Art. I, § 31)

This bill:

- 1) Requires, beginning March 1, 2023, 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 systems must base the report on contracts that CalPERS and CalSTRS, respectively, enter into on and after January 1, 2022.
- 2) Requires that the report must identify and include the following:
  - a) The name of each emerging manager 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 fund contracts, for all asset classes, as applicable.
  - b) 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 systems, respectively, in the applicable asset class during the year and the total amount of the asset class in each system's investment portfolio. This bill also requires CalSTRS and CalPERS, respectively, to define the terms "emerging manager" and "diverse manager" for these purposes.
- 3) Provides that CalPERS and CalSTRS are not required to take action unless their respective boards determine in good faith that the action is consistent with their fiduciary duties as described in the California Constitution.
- 4) Provides that CalPERS and CalSTRS are not required to disclose information that is excepted from disclosure under the California Public Records Act.

- 5) Repeals these provisions on January 1, 2028, unless a later enacted statute deletes or extends that date.

### Comments

*Need for this bill?* According to the author, “CalPERS and CalSTRS have combined assets of over \$700 billion but a relatively low rate of participation of emerging and diverse managers when compared to other state pension systems. It is clear that systemic inequities exist in how these systems select managers to invest the capital that they oversee. Due to a lack of transparency, the firms that are often excluded from participation are women and minority firms. This cycle perpetuates the historic neglect and lack of resources for historically disenfranchised communities in California.”

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, the annual personnel costs of approximately \$64,000 (for CalSTRS) to collect information and produce its report (State Teachers’ Retirement Fund). CalPERS could accommodate the workload within existing resources.

**SUPPORT:** (Verified 8/5/21)

New America Alliance (source)  
 Association of Asian American Investment Managers  
 California Public Employees' Retirement System  
 The Greenlining Institute  
 The National Association of Investment Companies

**OPPOSITION:** (Verified 8/5/21)

None received

**ARGUMENTS IN SUPPORT:** According to the New America Alliance:

Unfortunately, unequal opportunity creates an unequal society. As noted in a study by Stanford researchers entitled "Race Influences Professional Investors' Financial Judgements," investments begin with asset allocators like CalPERS and CalSTRS and flow through the professional money managers they hire before taking root in companies and projects across society. Disparities in who manages assets is therefore reflected and reinforced throughout the economy as these managers decide how capital is distributed and where and in what it will be invested. By extension, the biases of the fund managers that are selected,

along with the systemic underutilization of women and diverse managers, plays a significant role in the inequitable distribution of capital that has relegated entire communities to despair and poverty, while others flourish through wealth creation and opportunities for upward mobility.

ASSEMBLY FLOOR: 65-10, 6/1/21

AYES: Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Berman, Bloom, Boerner Horvath, Bryan, Burke, Calderon, Carrillo, Cervantes, Chau, Chiu, Cooley, Cooper, Cunningham, Daly, Flora, Fong, Frazier, Friedman, Gabriel, Cristina Garcia, Eduardo Garcia, Gipson, Lorena Gonzalez, Gray, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Lee, Levine, Low, Maienschein, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, O'Donnell, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Stone, Ting, Valladares, Villapudua, Waldron, Ward, Akilah Weber, Wicks, Wood, Rendon

NOES: Bigelow, Choi, Megan Dahle, Davies, Gallagher, Kiley, Lackey, Mathis, Smith, Voepel

NO VOTE RECORDED: Chen, Nguyen, Patterson, Seyarto

Prepared by: Glenn Miles / L., P.E. & R. / (916) 651-1556  
8/18/21 14:27:37

\*\*\*\* END \*\*\*\*