



## Regular Meeting

### Item Number 8 – Open Session

**Subject:** State and Federal Legislation

**Presenter(s):** Joycelyn Martinez-Wade

**Item Type:** Action

**Date & Time:** June 9, 2021 – 15 minutes

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**Attachment(s):** Attachment 1 – AB 845 (Rodriguez)

Attachment 2 – AB 890 (Cervantes)

Attachment 3 – AJR 9 (Cooper)

Attachment 4 – S. 588 (Feinstein)/H.R. 1549 (Casten)

Attachment 5 – AB 1019 (Holden)

Attachment 6 – SB 457 (Portantino)

Attachment 7 – Legislative Matrix

**PowerPoint(s):** None

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#### **PURPOSE**

The purpose of this item is to seek the board's position on 2021 legislation affecting CalSTRS. This item also reports the position on legislation for which the decision was delegated to the Chair and Vice Chair. The decision was delegated in order for staff to communicate the legislative position in a timely manner. In addition, summary information on current state and federal legislation is provided.

#### **SUMMARY**

##### **Action items for board position**

<u>Attachment</u>	<u>Bill Number</u>	<u>Author</u>	<u>Subject</u>
1	AB 845	Rodriguez	COVID-19 Presumption for Disability Retirement

<u>Attachment</u>	<u>Bill Number</u>	<u>Author</u>	<u>Subject</u>
2	AB 890	Cervantes	Emerging Managers Report
3	AJR 9	Cooper	Social Security Offset Repeal
4	S. 588/ H.R. 1549	Feinstein/ Casten	Addressing Climate Financial Risk Act of 2021

**Information items for delegated decisions**

5	AB 1019	Holden	Turkish Divestment
6	SB 457	Portantino	Turkish Divestment for Employers

**Summary information**

7			Legislative Matrix
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**BILL NUMBER: [AB 845](#) (Rodriguez) as amended March 30, 2021**

**SUMMARY**

AB 845 creates a rebuttable presumption for disability retirements due to a COVID-19-related illness that the disability arose out of the member's employment. The bill provisions sunset on January 1, 2023.

**RECOMMENDATION**

**Neutral, if amended** to clarify that the bill's presumption only relates to public retirement systems that provide enhanced industrial disability benefits. It is the board's policy to take a neutral position on bills that do not significantly or adversely impact the benefits or services provided through the funds administered by CalSTRS or the administration of the retirement plans. Because CalSTRS does not provide enhanced disability benefits on the basis of industrial causation, it would be highly unlikely that member access to disability benefits would be affected by the presumption in the bill. As a result, staff recommends amending the bill to prevent unintended consequences that may add administrative and program costs to the system.

**REASON FOR THE BILL**

According to the author, the bill provides financial protection for front line workers who retire due to a COVID-19-related illness by creating a presumption that the illness was contracted on the job, making them eligible for an industrial disability retirement.

**ANALYSIS**

**Existing Law:**

The Defined Benefit (DB) Program permits a member to apply for a disability benefit if the member has five or more years of credited service, at least four of which involved actual performance of creditable service, and if certain other criteria are met. CalSTRS does not provide enhanced industrial disability benefits, and members are not required to be injured on the job to receive disability benefits. Members receive the same tax treatment for CalSTRS disability benefits regardless of whether they became ill or injured on the job or elsewhere.

Under one of two exceptions, a member may still be eligible for disability benefits if the member performed less than four years of actual service due to an on-the-job injury or disease while in employment subject to coverage by CalSTRS. The member must still have five years of service credit in order to be eligible for disability benefits, although service may be earned while the member is receiving workers' compensation benefits or through the purchase of permissive service credit or redeposit of previously refunded contributions. CalSTRS does not consider this an industrial disability benefit, but rather an exception to the minimum service requirement for regular disability benefits.

If a member is covered by workers' compensation for the same impairment that qualifies the member for a disability benefit, CalSTRS offsets the disability benefit by the amount paid or payable by workers' compensation benefits. Additionally, if a member's injury was caused by a third party other than their employer and a CalSTRS disability benefit is paid, CalSTRS has a right

to subrogation and may recover the actuarial equivalent of the amount of CalSTRS benefits payable to the member because of the injury, less any amounts CalSTRS may be obligated to pay without regard to the actions of the third party. The purpose of these provisions is to ensure members are not receiving two public benefits for the same disability and to recover costs to protect the stability of the Teachers' Retirement Fund.

Labor Code section 3212.88 provides a rebuttable presumption that COVID-19 was contracted on the job and any related disability is compensable for specified essential employees applying for workers' compensation. These provisions sunset as of January 1, 2023.

**This Bill:**

AB 845 creates a presumption for disability retirements that is applicable to specified members in all retirement systems that are subject to the Public Employees' Pension Reform Act of 2013 (PEPRA). Disability retirements, in whole or in part, on the basis of a COVID-19-related illness would be presumed to have arisen from the member's employment, and unless controverted by evidence, the retirement system board would be required to find in accordance with the presumption. The presumption does not relate to whether a member meets the criteria to be considered disabled. As a result, CalSTRS members that meet the minimum service requirements would experience no change in their access to disability benefits.

The bill, which only remains in effect until January 1, 2023, limits the individuals who may qualify for the presumption to firefighters and other health and safety employees, as well as employees who test positive for COVID-19 during an outbreak at their place of employment, as defined under the Labor Code. CalSTRS members would only qualify for the proposed presumption if they tested positive for COVID-19 during an outbreak at their specific place of employment and became unable to work due to the related illness.

CalSTRS members have been significantly impacted by COVID-19. As of March 18, 2021, CalSTRS witnessed 565 COVID-related member deaths, 43 of which were active member deaths. However, as of the same date, there are no known disability benefit applications for COVID-19 related illness, and disability benefit applications decreased overall in 2020. Given the numerous factors that contribute to COVID-19 infection rates and individual outcomes, it is difficult to estimate how many CalSTRS members would qualify for the presumption proposed by the bill. More importantly, because CalSTRS does not offer separate enhanced industrial disability benefits like other California public retirement systems, members meeting the minimum service credit requirements would not experience improved benefits due to the presumption.

Because of these reasons, it would be highly unlikely for AB 845 to have any effect on CalSTRS' membership and their ability to access disability benefits. However, the bill has the potential to complicate back end processes that follow disability benefits approval and increase administrative and program costs. CalSTRS could experience increased legal costs due to the lack of clarity around the adjudication process for issues relating to the presumption. Because the bill does not clarify that the forum for adjudication of presumption issues is the CalSTRS appeals process, the board could effectively lose its discretionary authority to adjudicate presumption issues and be bound to the decision of another authority. Moreover, in some potential circumstances, the

presumption in the bill could prevent CalSTRS from recovering funds from a third party, other than the employer, that is responsible for a member's disability. This would create additional legal costs and limit CalSTRS' ability to protect the fund.

## **PROGRAM BACKGROUND**

As a result of the COVID-19 pandemic, Governor Gavin Newsom declared a state of emergency in March 2020. Shortly thereafter, on May 6, 2020, Governor Newsom issued [Executive Order N-62-20](#), which created a rebuttable workers' compensation presumption for all employees in California. SB 1159 (Hill, Chapter 85, Statutes of 2020) codified the executive order and created a rebuttable presumption that essential employees who contracted COVID-19 were infected on the job and are, therefore, eligible for workers' compensation due to that illness.

When a member applies for a disability benefit through CalSTRS, they are required to provide employment, legal and medical documentation substantiating the impairment and qualification for disability benefits. CalSTRS staff then complete a thorough review to verify that the member qualifies and meets the service credit requirements. Approval for CalSTRS disability benefits is not contingent upon whether the member was injured or became ill on the job. While members who become impaired on the job have the option to meet the minimum service requirement by purchasing service credit, historically, this option has been used infrequently.

Members applying for disability benefits must also report any benefit they receive from workers' compensation if it is for the same impairment that qualifies them for a CalSTRS disability benefit. Though AB 845 creates a presumption for only disability benefits, the bill ties to the COVID-19 workers' compensation presumption in Labor Code sections 3212.87 and 3212.88 that was added by SB 1159. While CalSTRS disability benefits are separate from, and not contingent upon, workers' compensation benefits, the ability to offset disability benefits with workers' compensation helps to mitigate costs to the fund.

## **FISCAL IMPACT**

Program Costs/Savings – Unknown potential costs for cases when the costs to the fund cannot be offset by workers' compensation benefits or subrogation.

Administrative Costs/Savings – This bill would add complexity to the disability benefits review and appeals process, resulting in new ongoing workload for CalSTRS staff and minor upfront costs to develop new procedures, tracking and communications. Unknown potential costs would also be incurred when issues related to the presumption create additional work related to subrogation.

## **SUPPORT**

Service Employees International Union (SEIU) (Sponsor)  
California Teachers Association  
Los Angeles County Sheriff's Department  
Professional Engineers in California Government

## **OPPOSITION**

None known.

## **ARGUMENTS**

Pro: May reduce obstacles to qualifying for industrial disability benefits for members who become disabled on the job due to a COVID-19 related illness, though CalSTRS does not provide enhanced disability benefits on the basis of industrial causation.

Con: Could cause confusion and costly administrative issues when the presumption would not actually affect benefits because CalSTRS does not offer what is traditionally considered to be enhanced industrial disability benefits.

May infringe upon the discretionary authority of the board to adjudicate issues relating to the presumption and bind the board to the decision of another authority.

**BILL NUMBER: [AB 890](#) (Cervantes) as amended May 24, 2021**

**SUMMARY**

AB 890 requires the boards of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS), commencing March 1, 2023, to submit an annual report to the Legislature on the status of achieving appropriate objectives and initiatives, as defined by the system's board, regarding participation of emerging or diverse asset managers in the systems' investment portfolios. The report must be based on contracts entered into on and after January 1, 2022, and must include specified information regarding each emerging or diverse manager. The bill sunsets on January 1, 2028.

**RECOMMENDATION**

**Neutral.** It is the board's policy to take a neutral position on bills that do not significantly or adversely impact the benefits or services provided through the funds administered by CalSTRS or the administration of the retirement plans.

**REASON FOR THE BILL**

According to the author, AB 890 will ensure transparency and promote the inclusion of women- and minority-owned managers in the asset management industry.

**ANALYSIS**

**Existing Law:**

Chapter 701, Statutes of 2011 (SB 294-Price), required the Teachers' Retirement Board to define the term "emerging investment manager," provide a five-year strategic plan for emerging manager participation across all asset classes in the portfolio and submit an annual report to the Legislature on the progress of the strategic plan beginning March 1, 2014. CalSTRS developed a [Strategic Plan](#) and the [Diversity in the Management of Investments](#) report to fulfill this mandate. Although the law was sunset as of January 1, 2018, CalSTRS continues to produce this report. The report includes the definition of "emerging manager;" a breakdown of demographics within CalSTRS' internal Investments team based on age, gender and ethnic background; and the aggregated total assets under management by emerging managers by asset class.

**This Bill:**

AB 890 requires CalSTRS to submit an annual report, beginning March 1, 2023, on the status of achieving appropriate objectives and initiatives, as defined by the board, regarding the participation of emerging or diverse managers responsible for asset management within the system's investment portfolio. The report must be based on contracts entered into on and after January 1, 2022, and include:

- The name of each emerging or diverse manager providing investment portfolio or asset management services, including, but not limited to, fund of funds contracts, for all asset classes.
- The year these managers were first engaged or contracted to provide services.
- The amount managed by each of these managers by asset class.

- The total amount allocated by the system in the applicable asset class.
- The total amount of the asset class in the system’s investment portfolio.

AB 890 also requires the board to define the term "emerging manager" and "diverse manager," states the board is not required to take action unless it determines in good faith that the action required is consistent with its fiduciary responsibilities and confirms the board is not required to disclose information that is exempt under the Public Records Act. The bill sunsets on January 1, 2028, unless a later enacted statute deletes or extends that date.

The proposed report includes more specific details than the one mandated under SB 294. The prior report did not name specific emerging managers; did not include the term “diverse manager;” and did not include the year these managers were first engaged, the total amount allocated by the system to the applicable asset class or the total amount of the asset class in the system’s investment portfolio.

## **PROGRAM BACKGROUND**

CalSTRS established its initial Emerging Manager Program in 2006. In accordance with Chapter 701, Statutes 2011, CalSTRS published its Diversity in the Management of Investments progress report on an annual basis and continues to report regularly after the law sunset in 2017. The reports developed over the years provide information on CalSTRS’ efforts and commitment to diversity within the investment portfolio. The latest report, published in 2021, includes information on the gender, ethnic and age diversity of CalSTRS’ internal Investments staff, provides details on the Student Intern and Investor Mentor programs, and gives an overview of CalSTRS’ advocacy of environmental, social and governance issues through partnerships with various investment industries. The report also outlines the definition of emerging manager by asset class, the minimum qualifications to be an emerging manager within the portfolio and the process for considering investments with emerging managers.

## **FISCAL IMPACT**

Program Costs/Savings – Potential unknown costs to the investment portfolio if disclosure of information deters managers from doing business with CalSTRS.

Administrative Costs/Savings – Estimated personnel costs of approximately \$64,000 on an annual basis for information collection and production of the report. Unknown costs to define terms as required and to include applicable language in contracts and side letters addressing the required disclosures.

## **SUPPORT**

The New America Alliance (Sponsor)  
Association of Asian American Investment Managers

## **OPPOSITION**

None known.

## **ARGUMENTS**

Pros: Increases transparency around the participation of emerging and diverse managers in CalSTRS' investment portfolio.

Supports CalSTRS efforts towards transparency and accountability of its emerging managers within the investment management industry.

Con: Increases administrative costs to produce the report.

**BILL NUMBER:** [AJR 9](#) (Cooper) as introduced March 1, 2021

## **SUMMARY**

AJR 9 requests the U.S. President and Congress to enact legislation that would repeal the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) from the Social Security Act.

## **RECOMMENDATION**

**Support.** The board’s policy is to support legislation that seeks to repeal or reform in a prudent manner the Social Security benefit offsets as a means of addressing concerns about their impact on educators. Staff also recommend considering efforts to make appropriate adjustments to the WEP and GPO as a potential alternative to complete repeal, which could be included in more comprehensive Social Security reform legislation.

## **REASON FOR THE BILL**

California educators, having earned pension benefits from employment not covered by Social Security, are often subject to the WEP and the GPO of the Social Security Act. The WEP and GPO reduce or eliminate Social Security benefits that California educators may have earned through other employment or are eligible for through their spouses. CalSTRS members represent the largest single group of state and local government employees in the country who do not participate in Social Security.

## **ANALYSIS**

### **Existing Law:**

The WEP and the GPO attempt to address a perceived advantage that occurs when Social Security benefits are calculated for individuals whose primary employment is covered by a pension plan and who do not participate in Social Security.

The Social Security Act of 1935 excluded state and local government employees from coverage. In 1954, those employees were given the opportunity to elect to participate in Social Security. In 1956, as part of an overall study of survivor benefits, the California Teachers Association surveyed its membership to gauge interest in either pursuing legislation to establish survivor benefits through CalSTRS or joining Social Security. Members voted 4 to 1 in support of seeking the establishment of a survivor benefits program through CalSTRS rather than joining Social Security.

In 1977, the U.S. Supreme Court ruled that a requirement for husbands and widowers to prove they were financially dependent upon their wife to receive benefits was unconstitutional sex discrimination because wives and widows were not similarly required to prove dependency. In order to avoid the cost of providing the husband and widower benefits, the GPO was introduced in the Social Security Amendments of 1977 to treat all spouses and widow(er)s with government employment not covered by Social Security in a manner similar to those with Social Security benefits who were, therefore, subject to the “dual entitlement rule.” Under the dual entitlement rule, which has operated since 1939, a person effectively receives a Social Security benefit equal

to the greater of the benefit from the person's own employment or that derived from a spouse's employment. As enacted in 1977, the GPO produced an identical result to the dual entitlement rule by reducing the spousal benefit by 100% of the pension earned from non-covered employment. In 1983, the GPO offset was reduced to two-thirds of the pension earned from non-covered employment.

The WEP was introduced in the Social Security Amendments of 1983 to remove a perceived advantage for individuals with employment not covered by Social Security. Under the Social Security benefit formula, work performed in a position not covered by Social Security is given a zero value when averaging an individual's lifetime earnings. In effect, the formula cannot distinguish between individuals with low or no earnings and individuals with additional non-covered earnings. This proved problematic because Social Security benefits are designed to provide a greater proportional benefit to workers with low average lifetime earnings than workers with high average lifetime earnings. To illustrate the progressive nature of the Social Security formula, the bend points for an individual turning 62 in 2021 are:

- 90% of first \$996 in average indexed monthly earnings; plus
- 32% of average indexed monthly earnings over \$996 through \$6,002; plus
- 15% of average indexed monthly earnings over \$6,002.

As a result, without the WEP, the formula produces a higher wage replacement ratio than would have otherwise been received if all employment had been covered by Social Security. The WEP addressed the resulting perceived "windfall" for public employees by reducing the first-tier percentage used to calculate the Social Security benefit from 90% to 40%. The remaining two calculation tiers were not altered.

The reduction under the WEP may be no more than one-half of the non-covered pension to which the individual is entitled. This benefit reduction is less for individuals who have between 21 and 30 years of earnings under Social Security, and there is no offset if the individual has 30 or more years of Social Security-covered earnings.

**This Bill:**

AJR 9 communicates the California Legislature's direct support of and requests that the U.S. President and Congress enact legislation to repeal the GPO and the WEP from the Social Security Act.

**PROGRAM BACKGROUND**

Since 2001, a bill repealing or reforming the WEP and GPO has been introduced in almost every session of Congress. The bill generally receives widespread bipartisan support in states with public employees that do not participate in Social Security, but none of them have progressed out of committee. They have been stymied by the direct cost of repeal, which the Social Security Administration estimated in 2016 would increase the long-term cost of the program by 0.13% of payroll, and by the uncertainty surrounding Social Security's overall financial future.

Full repeal of the WEP and GPO presents political and financial risks to schools and CalSTRS members. The offsets were established to address perceived inequities around Social Security

benefits for covered employment versus non-covered employment. Full repeal could resurrect these perceived inequities and, with them, the most obvious alternative to mandate Social Security participation for all government employees, including CalSTRS members.

The board has opposed mandatory Social Security participation for CalSTRS members, citing studies that show the move would increase costs or reduce total retirement benefits. Additionally, there are potential costs associated with the overlap of CalSTRS' disability and survivor benefits and comparable Social Security benefits.

Efforts to reform the WEP and GPO are distinct from repeal efforts, focusing on the inequitable application of the offsets rather than seeking outright repeal. A focus on eliminating the inequities of the offsets, rather than full repeal, may result in a successful outcome and lower the likelihood that policymakers pursue mandatory Social Security coverage for all government employees.

## **FISCAL IMPACT**

Program Cost – None identified.

Administrative Costs/Savings – By itself, this resolution does not create administrative cost or savings. The repeal of the WEP and GPO may result in minor costs associated with updating member-facing communications and staff training. Temporarily, staff may spend more time answering member questions related to repeal, but these costs should decrease over time.

## **SUPPORT**

California Retired Teachers Association (Sponsor)  
Association of California School Administrators  
California Federation of Teachers  
California Teachers Association  
Delta Kappa Gamma California  
Faculty Association fo California Community Colleges  
Peace Officers Research Association of California

## **OPPOSITION**

None known.

## **ARGUMENTS**

Pro: CalSTRS members eligible for Social Security benefits would no longer have their Social Security benefits reduced or eliminated if the WEP and GPO are repealed.

A teaching career would be more attractive to individuals considering a mid-career change because previously earned Social Security benefits would retain their full value if the WEP and GPO are repealed.

Con: Future mandatory Social Security participation may be considered to offset WEP and GPO repeal costs or as an alternative to repealing the WEP and GPO.

**BILL NUMBER:** [S. 588](#) (Feinstein, D-CA) as introduced March 4, 2021  
[H.R. 1549](#) (Casten, D-IL) as introduced March 3, 2021

## SUMMARY

S. 588 and H.R. 1549 establish a permanent Climate Risk Advisory Committee on the Financial Stability Oversight Council (FSOC), require specified regulatory agencies to include climate risk in their supervisory guidance, require FSOC to incorporate climate risk into specified decisions, require the Federal Insurance Office to report on modernizing and improving climate risk insurance regulation, and encourage financial regulators to join international networks on climate financial risk.

## RECOMMENDATION

**Support.** The board's policy is to support legislation that is consistent with the investment policy adopted by the board as presented in the CalSTRS Investment Policy and Management Plan.

## REASON FOR THE BILL

According to the authors, the transition to a low-carbon economy as well as damages and risks caused by the effects of climate change could have significant effects on real estate values, whole sectors of the economy and insurance affordability. These impacts threaten the stability of the financial system, and financial regulators should assess and address these climate risks.

## ANALYSIS

### Existing Law:

The FSOC has collective responsibility for identifying risks and responding to emerging threats to financial stability. The Secretary of the Treasury chairs FSOC. FSOC members include the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, the Office of the Comptroller of the Currency, the Consumer Financial Protection Bureau and other regulatory agencies. These agencies have broad powers to influence U.S. capital markets, and indirectly global markets, and, therefore, have direct or indirect impact on CalSTRS' global portfolio.

FSOC has authority to impose or restrict business activities with jurisdiction over large bank and nonbank financial companies with U.S. operations. FSOC member agency policies have broad effect on domestic investment activities and economic activities, and indirectly on whole industries or sectors globally. The FSOC can limit certain activities that are deemed risky to the financial system by imposing stress tests, levying capital requirements or disallowing dividend payments. FSOC also has authority to directly alter business activities at banks, asset managers, insurance companies and other select non-bank institutions such as securities exchanges. FSOC can do this by designating businesses as systemically important financial institutions.

### This Bill:

Specifically, S. 588 and H.R. 1549 would:

- Establish a permanent Climate Risk Advisory Committee on FSOC made up of experts in climate science, climate economics and climate financial risk, which would publish an annual report making recommendations on improving federal and state financial regulatory systems' ability to identify and mitigate climate financial risk.
- Require each federal banking agency and the National Credit Union Administration to update their supervisory guidance to include climate risk and to develop a strategy to identify and mitigate climate financial risk.
- Require FSOC to specify how it will incorporate climate risk into its decisions about whether to designate certain nonbank financial institutions as requiring additional oversight by the Federal Reserve due to the risk that their collapse would pose to the financial system.
- Require the Federal Insurance Office to report on how to modernize and improve climate risk insurance regulation.
- Encourage U.S. financial regulators to join the Network for Greening the Financial System, formally join the Basel Committee's Task Force on Climate-Related Risk and work with international regulators on climate financial risk to the extent possible.

CalSTRS has identified climate change as a key factor in its [Investment Policy for Mitigating Environmental, Social and Governance Risks](#). CalSTRS expects external fund managers and internal investment staff to evaluate climate change risk for potential and current investments. As fiduciaries, CalSTRS is charged with understanding the potential economic impacts to plan assets in financial terms. Climate risk can manifest as technological, business model, physical or regulatory risk to a firm. S. 588 and H.R. 1549 help define regulatory risk in more specific terms, which will aid total fund risk assessment.

CalSTRS has also advocated for greater climate disclosure for years; however, slow market uptake has made it difficult to assess climate risks across the U.S. market. Staff believe a regulated mandate to evaluate current available data, combined with the regulatory power to require fuller disclosure from all businesses operating in the U.S., would quickly improve CalSTRS' ability to measure portfolio risk from climate change. While this bill does not specifically require corporate disclosure, staff believe future disclosure requirements will be necessary to satisfy the data collection needed to support the Climate Risk Advisory Committee report.

## **PROGRAM BACKGROUND**

### California Climate Investment Framework

On September 20, 2019, Governor Gavin Newsom issued [Executive Order N-19-19](#), which directed the Department of Finance to develop a Climate Investment Framework in collaboration with CalSTRS, CalPERS and the University of California Retirement Program. The [framework](#) was published on September 24, 2020, and recommended the Governor create a climate risk disclosure working group, the state sign onto the Coalition for Climate Resilient Investment, and the state's pension funds invest additional funds in low-carbon strategies.

### California Climate-related Risk Disclosure Advisory Group and State Steering Committee

CalSTRS is a participant in the California Climate-related Risk Disclosure Advisory Group and State Steering Committee, which are led by the Governor's Office of Planning and Research. The advisory group and committee are charged with developing recommendations for climate risk reporting in California.

### Climate Risk Disclosure Initiative

CalSTRS was one of 14 leading investors that participated in the Climate Risk Disclosure Initiative (CRDI), which kicked off in 2005. The CRDI aimed to standardize company climate risk disclosures to facilitate investor analysis and comparisons of company climate risk exposure. In 2006, the CRDI Steering Committee released the Global Framework for Climate Risk Disclosure, which consists of four main disclosure elements: total historical, current and projected greenhouse gas emissions; strategic analysis of climate risk and emissions management; assessment of physical risks of climate change; and of risk related to the regulation of greenhouse gas emissions.

### Task Force on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) in 2015, and the TCFD issued a report containing climate-related financial disclosure recommendations in 2017. The recommendations fall into four thematic areas: governance, strategy, risk management and metrics. As of 2020, more than 1,500 organizations have expressed support for the TCFD framework, and almost 60% of the 100 largest global public companies either support the TCFD, report in line with the TCFD recommendations or both. CalSTRS actively engages companies and regulators, including through collective engagement via the Climate Action 100+ group, to adopt the recommendations of the TCFD in order to help investors price climate risk and reward climate innovation.

### Green Initiative Task Force and Annual Report

CalSTRS established an environmentally focused Green Initiative Task Force in 2007, which produces an [annual report](#) to highlight environmental-themed investments, corporate governance and other environmental risk management efforts. As part of assessing environmental risks, CalSTRS considers not only how a particular investment affects the environment but also how the environment affects a particular investment. CalSTRS works with its external managers to recognize and manage environmental risks and, where appropriate, directly engages with portfolio companies. CalSTRS also collaborates with other investors to broaden engagement reach whenever possible. CalSTRS routinely submits environment-related shareholder proposals to companies held in its public equity portfolio to raise their level of environmental risk awareness. Staff also considers and votes all environment-related proposals in a manner that aligns with CalSTRS' objectives of improving disclosure and mitigating risk.

## **FISCAL IMPACT**

Program Cost – None identified.

Administrative Costs/Savings – Potential marginal savings due to more readily available climate risk data, which could replace the need to pay private research firms for climate risk estimates.

## **SUPPORT**

CalPERS  
Ceres  
Edison International  
National Association for Latino Community Asset Builders  
National Conference on Public Employee Retirement Systems  
National Whistleblowers Center

New York State Common Retirement Fund  
PG&E Corporation  
Sempra Energy  
Sierra Club  
Union of Concerned Scientists  
UN Principles for Responsible Investment

## **OPPOSITION**

None known.

## **ARGUMENTS**

- Pro: Creates greater public understanding and access to information on climate-related financial risk.
- Requires federal regulatory agencies to view climate risk as a systemic financial risk, consistent with CalSTRS' position.
- Ensures inter-agency cooperation in measuring climate risk to the financial system.
- Provides CalSTRS and other investors additional clarity on climate-related regulatory risk, which is a key input to assessing climate risk to the portfolio.
- Con: May be perceived as relegating climate risk as tangential to, rather than intrinsic to, systemic financial risk.

**BILL NUMBER: [AB 1019](#) (Holden) as introduced February 18, 2021**

**SUMMARY**

AB 1019 prohibits state trust money from being used to make additional or new investments or renew existing investments in investment vehicles issued or owned by the government of Turkey, its instrumentalities or political subdivisions. It also indemnifies present, former and future board members, officers and employees of and investment managers under contract with those state trust funds for actions related to the bill. AB 1019 would no longer apply if the government of Turkey adopts a policy to acknowledge the Armenian Genocide and embark on a path of affording justice to its victims.

**BOARD POSITION**

**Oppose.** The board's policy is to oppose legislation that infringes on the investment authority of the board or is inconsistent with the investment policy adopted by the board as presented in the CalSTRS Investment Policy and Management Plan.

**REASON FOR THE BILL**

According to the author, Turkey's ongoing denial of the Armenian Genocide prevents justice for the families of genocide survivors and creates a dangerous environment for minority communities in Turkey and neighboring Armenia, and divestment would pressure Turkey to recognize the Armenian Genocide and take steps towards justice to its victims.

**ANALYSIS**

**Existing Law:**

Under the provisions of Section 17 of Article XVI of the California Constitution, as amended by Proposition 162 of 1992, the CalSTRS board has plenary authority and fiduciary responsibility over the investment of retirement plan assets and is required to discharge its duties solely in the interests of its members and beneficiaries for the exclusive purpose of providing benefits. The board must invest the assets of the plan with the care, skill and diligence of a prudent person engaged in a similar enterprise so as to maximize the investments and minimize the risk of loss. When considering investments, the preservation of principal and maximization of income is the primary and underlying criteria for the selection and retention of securities. The Constitution states, however, that the Legislature may by statute prohibit certain investments by a retirement board when it is in the public interest to do so and provided the prohibition satisfies the standards of fiduciary care and loyalty required of a retirement board.

Under the provisions of the U.S. Constitution, federal laws preempt state laws, and the federal government maintains responsibility over foreign affairs and has the power to regulate commerce with foreign nations. More specifically, the Supremacy Clause (Article VI, Clause 2) establishes that federal laws and treaties made under its authority constitute the supreme law of the land. Additionally, the Constitution gives the president authority over foreign affairs (Article II, Section

2, Clause 2). Lastly, the Commerce Clause (Article I, Section 8, Clause 3) gives Congress the power to regulate commerce with foreign nations.

Government Code section 7513.74 establishes multiple requirements for the CalSTRS and CalPERS boards to divest from Turkish government investment vehicles if a federal law is passed to impose sanctions on the government of Turkey for failure to officially acknowledge its responsibility for the Armenian Genocide. Neither board shall be required to take action unless the board determines in good faith that the action is consistent with its fiduciary responsibilities. Current law also indemnifies present, former and future board members, officers and employees of and investment managers under contract with those retirement systems for related actions. Because such a federal law has not been enacted, these requirements are not currently operative. These provisions will be repealed on the earlier of either a determination that the government of Turkey has officially acknowledged its responsibility for the Armenian Genocide or January 1, 2025.

**This Bill:**

Specifically, AB 1019:

- Prohibits the State Teachers’ Retirement Fund from being used to make additional, new or renewed investments in any investment vehicle issued or owned by the government of Turkey, its instrumentalities or political subdivisions.
- Defines “investment” as:
  - An extension of credit made to a business.
  - Funds or other assets given to a business in exchange for any of the following:
    - A security interest in other assets of that business.
    - The beneficial ownership or control of a share or interest in that business.
    - A bond or other debt instrument issued by that business.
- Indemnifies present, former and future board members, officers and employees of and investment managers under contract with CalSTRS for actions related to the bill.
- Would no longer apply if the government of Turkey, by resolution of its legislature or head of state, adopts a policy to acknowledge the Armenian Genocide and embark on a path of affording justice to its victims.

The board's policy is to oppose legislation that restricts its ability to invest in specific areas because, as described in its Divestment Policy, such restrictions could impair the board’s ability to exercise its fiduciary obligation to act exclusively for the benefit of the retirement plan members and beneficiaries. Divestment carries the risk of adversely affecting an investment portfolio. This is especially concerning as investment returns affect the CalSTRS Funding Plan, which placed CalSTRS on a trajectory toward full funding.

Under the provisions of the U.S. Constitution, the federal government maintains authority over foreign affairs and commerce with foreign countries. Prior legislation prohibiting investments in Sudan and Iran did not come into constitutional conflict with federal authority because Congress granted authorization to the states to enact such legislation in accordance with specific parameters. In contrast, a much broader law in Illinois called the Illinois Sudan Act, which contained provisions that were not authorized by Congress, was ruled unconstitutional because it interfered

impermissibly with the federal government’s power over foreign affairs and commerce with foreign countries.

In addition, CalSTRS follows an investment strategy, adopted by the board, of diversification and passive index management that does not generally exclude or include any investments in companies, industries or geographic areas. AB 1019 would require CalSTRS to actively exclude new, additional or renewed investments in Turkish investment vehicles, reducing the diversification of the portfolio, increasing risk, and creating opportunity costs as well as costs to customize benchmark indices. While a specific investment restriction may be intended to address a concern associated with only a fraction of the portfolio, there can be cumulative effects from multiple investment restrictions.

## **PROGRAM BACKGROUND**

### ESG Policy

CalSTRS has its own well-established and longstanding process for thoroughly vetting the environmental, social and governance (ESG) risks of potential investments. The board adopted its Statement of Investment Responsibility in 1978, making CalSTRS an industry leader as one of the first pension funds to adopt a written policy to navigate these complex issues. As a key component of that process, the board has developed a list of risk factors as part of its [Investment Policy for Mitigating ESG Risks](#). The ESG Risk Factors help the board to identify and evaluate investment risks relating to the existence of certain conditions, such as recognition of the rule of law, shareholder rights, human rights, the environment, acts of terrorism and other unsustainable practices and governance crises with the potential to hurt long-term profits.

### Divestment Policy

In addition to the CalSTRS ESG policy, the board has adopted a [Divestment Policy](#), focusing on engagement, to respond to external or internal initiatives to divest of specific companies or industries. In accordance with this policy, CalSTRS has historically taken the position that active and direct engagement is the best way to resolve issues. Divestment bears the risk of adversely affecting an investment portfolio and severs any chance to advance positive change through shareholder advocacy. Meetings with shareowners and senior management, or the board of directors, are generally more effective in bringing about change in a corporation. Under the policy, the board will only consider divestment after all efforts at engagement have failed, and only then in cases where at least one of the ESG Risk Factors is violated over a sustained timeframe to the extent that it becomes an economic risk to the fund, creates a potential for material loss of revenue and weakens the trust of a significant portion of CalSTRS members. Finally, the Divestment Policy sets forth that the board will only instruct staff to divest of a security when it determines that continuing to hold a security is imprudent and inconsistent with its fiduciary duty.

### Armenian Genocide

The Armenian Genocide is largely believed to have begun on April 24, 1915, when hundreds of Armenian intellectual, political, religious and business leaders were arrested and deported from Constantinople. In acknowledgment of its 100th anniversary, California enacted Resolution Chapter 30, Statutes of 2015 (AJR 2, Nazarian), to recognize the Armenian Genocide as a series of events occurring between 1915 and 1923 in which the rulers of the Ottoman Turkish Empire

and its successor state, the Republic of Turkey, subjected its Armenian citizens to torture, starvation and murder. Successive Turkish governments have failed to acknowledge the Armenian Genocide and have even convicted journalists and scholars for making reference to the Armenian Genocide. In the fall of 2020, an armed conflict broke out with Azerbaijan fighting against Armenia as well as ethnic Armenians in the breakaway state of Artsakh. National governments, human rights organizations and international observers have generally recognized that Turkey provided military support to Azerbaijan during the conflict, although both Azerbaijan and Turkey deny this.

## **FISCAL IMPACT**

Program Cost – CalSTRS exposure to currency and debt securities directly issued by the government of Turkey is approximately \$2.2 million. Additional exposure in global equity and infrastructure investments in which the government of Turkey is the majority owner are approximately \$717,000 and \$9.7 million, respectively. CalSTRS may incur opportunity costs if suitable alternative investments are unavailable or if such alternative investments do not provide an investment return that meets or exceeds those of the divested securities. Any resulting costs would be passed along to the state and employers in the form of higher contributions to the Defined Benefit Program.

Administrative Costs/Savings – Approximately \$43,200 annual ongoing costs resulting from transaction costs for custom indices and additional costs related to external research services. Implementation and ongoing compliance will also require reallocation of staff resources.

## **SUPPORT**

Armenian National Committee of America - Western Region

## **OPPOSITION**

CalSTRS  
California Retired Teachers Association

## **ARGUMENTS**

Pro: Could eliminate the perception that CalSTRS is contributing to a continuing denial of the Armenian Genocide by Turkey.

Con: Infringes upon the investment authority of the board.

Reduces the investable universe and could adversely affect portfolio performance.

Lacks clear definition of affected investment vehicles.

**BILL NUMBER: [SB 457](#) (Portantino) as introduced February 16, 2021**

**SUMMARY**

SB 457 requires CalSTRS to provide a school district an option to elect an investment portfolio that does not contain investment vehicles that are issued or owned by the government of the Republic of Turkey. The bill extends the same provision to school districts and cities participating in CalPERS.

**BOARD POSITION**

**Oppose.** The board's policy is to oppose legislation that restricts or infringes on the plenary authority of the board to administer the retirement plans as provided in Section 17 of Article XVI of the California State Constitution and legislation that infringes on the investment authority of the board.

**REASON FOR THE BILL**

According to the bill's author, the Republic of Turkey is engaged in ongoing denial of the Armenian Genocide and has conducted unprovoked attacks on Armenians in the Republics of Artsakh and Armenia, and allowing California school districts and cities to opt out of investment vehicles issued or owned by the Republic of Turkey would impose economic consequences on the Republic of Turkey and encourage its government to reach a fair and just resolution for the survivors of the Armenian Genocide.

**ANALYSIS**

**Existing Law:**

CalSTRS is a cost-sharing multiple-employer defined benefit pension plan that covers almost 2,000 school districts, community college districts and county offices of education across California. The CalSTRS Defined Benefit (DB) Program is funded by contributions from employers, members and the State of California, as well as investment returns from those contributions. The CalSTRS Funding Plan established that employers and the state are each responsible for a share of the DB Program's unfunded liability. However, as the plan sponsor and guarantor of the DB Program, the state has the legal obligation to pay benefits accrued under the plan on a pay-as-you-go basis if the Teachers' Retirement Fund is ever insufficient to pay promised benefits. As a cost-sharing multiple-employer plan, all assets are pooled for purposes of both investment and payment of benefit liabilities, and individual benefit payments are debited from the fund as a whole rather than from individual employer accounts, which do not exist.

Under the provisions of Section 17 of Article XVI of the California Constitution, as amended by Proposition 162 of 1992, as well as the Teachers' Retirement Law, the Teachers' Retirement Board has plenary authority and fiduciary responsibility over the investment of retirement plan assets and is required to discharge its duties solely in the interests of its members and beneficiaries for the exclusive purpose of providing benefits. The board must invest the assets of the plan with the care, skill and diligence of a prudent person engaged in a similar enterprise so as to maximize the investments and minimize the risk of loss. When considering investments, the preservation of

principal and maximization of income is the primary and underlying criteria for the selection and retention of securities.

Under the provisions of the U.S. Constitution, federal laws preempt state laws, and the federal government maintains responsibility over foreign affairs and has the power to regulate commerce with foreign nations. More specifically, the Supremacy Clause (Article VI, Clause 2) establishes that federal laws and treaties made under its authority constitute the supreme law of the land.

Government Code section 7513.74 establishes multiple requirements for the CalSTRS and CalPERS boards to divest from Turkish government investment vehicles if a federal law is passed to impose sanctions on the government of Turkey for failure to officially acknowledge its responsibility for the Armenian Genocide. Neither board shall be required to take action unless the board determines in good faith that the action is consistent with its fiduciary responsibilities. Current law also indemnifies present, former and future board members, officers and employees of and investment managers under contract with those retirement systems for related actions. Because such a federal law has not been enacted, these requirements are not currently operative. These provisions will be repealed on the earlier of either a determination that the government of Turkey has officially acknowledged its responsibility for the Armenian Genocide or January 1, 2025.

**This Bill:**

SB 457 requires the board to provide an employer that is a school district an option to elect an investment portfolio that does not contain investment vehicles that are issued or owned by the government of the Republic of Turkey.

The board's policy is to oppose legislation that restricts or infringes upon its plenary authority to administer the retirement plan. Existing laws that restrict CalSTRS' investment authority acknowledge that, per the California Constitution, the board shall not be required to take action unless the board determines in good faith that the action is consistent with its fiduciary responsibilities. This bill does not recognize this constitutional requirement.

This bill could directly impact foreign relations with the Republic of Turkey and, in doing so, would interfere with the federal government's exclusive authority under the U.S. Constitution to manage foreign affairs. The courts have held that, even in the absence of express federal policy, a state law still may be preempted if it intrudes on the field of foreign affairs without addressing a traditional state responsibility. While this bill does not require individual employers to elect a portfolio without Turkish investment vehicles, the purpose and effect of the bill is to make it easier for individual employers to pressure the Republic of Turkey to take specific actions. As such, a court inquiring into the "real purpose" of this bill would arguably conclude that it does not concern an area of traditional state responsibility.

Moreover, SB 457 would require significant and costly modifications that would fundamentally change CalSTRS' operations. Because the DB Program is a cost-sharing multiple-employer defined benefit pension plan, CalSTRS does not currently maintain a separate portfolio with a discrete value and asset allocation for each participating employer. The contributions made by employers and members are pooled together and invested jointly in a single portfolio, with investment returns being credited to the system rather than to individual employer accounts. If

employers had the option to elect a separate portfolio, CalSTRS would have to establish separate and distinct accounts to account for each employer's share of investment returns. Contributions and benefit payments would be credited and debited to individual employer accounts, rather than the fund as a whole. Such requirements would necessitate substantial and costly changes to CalSTRS' new pension administration system.

Separate portfolios would also require CalSTRS to unitize its portfolio holdings in order to account for each employer's portfolio holdings and valuation. Unitizing is a process similar to the one used by mutual funds to report daily value of assets by units. Unitizing cannot be easily achieved with asset classes such as private equity and real estate, which have less liquidity and do not report valuation on a daily basis. SB 457 could prevent CalSTRS from investing in these asset classes for employers who elect the proposed investment choice. Because these asset classes provide for increased diversification and have some of the highest expected returns across CalSTRS' portfolio, investment performance could be significantly lower for employers electing this option. This would increase the cost of funding retirement benefits and would present significant obstacles to maintaining CalSTRS' diversified portfolio and achieving the investment returns necessary for the success of the CalSTRS Funding Plan. Even when CalSTRS would be able to pool investments across multiple accounts, CalSTRS would need a significant increase in accounting resources to account for each employer's individual share of affected investments.

SB 457 would also necessitate a redesign of the CalSTRS Funding Plan and could materially impact how CalSTRS performs its actuarial duties. If employer assets are separated in individual portfolios, employers would then be responsible for the funding of the retirement benefits of their employees only, resulting in varying funding levels across employers and varying contribution requirements. This scenario is fundamentally incompatible with the existing funding plan. Separate portfolios would require separate actuarial valuations for each employer, which would require a significant increase in staffing and resources.

Finally, separate investment portfolios could lead to significant increased costs for the state. Because school districts are not fiduciaries for the plan, they are not bound by the same legal responsibilities to preserve the assets of the plan and could make decisions that would decrease their investment returns. If an employer ceased operations and had an increased unfunded liability due to their portfolio election, CalSTRS does not have statutory authority to collect from the employer the funds necessary to offset this employer-caused unfunded liability, and the state would be responsible for making up the difference. This bill would allow school districts to elect investment portfolios with increased risk and lower expected returns, and the state could incur the costs of that risk because it is the plan's fiscal guarantor.

Because of the multiple ways this bill would increase CalSTRS' administrative costs and decrease investment returns, this bill would likely increase both the employer and state contributions needed to achieve full funding by 2046 and would increase the risk that the DB Program would not reach full funding by 2046.

## PROGRAM BACKGROUND

### ESG Policy

CalSTRS has its own well-established and longstanding process for thoroughly vetting the environmental, social and governance (ESG) risks of potential investments. The board adopted its Statement of Investment Responsibility in 1978, making CalSTRS an industry leader as one of the first pension funds to adopt a written policy to navigate these complex issues. As a key component of that process, the board has developed a list of risk factors as part of its [Investment Policy for Mitigating ESG Risks](#). The ESG Risk Factors help the board to identify and evaluate investment risks relating to the existence of certain conditions, such as recognition of the rule of law, shareholder rights, human rights, the environment, acts of terrorism and other unsustainable practices and governance crises with the potential to hurt long-term profits.

### Divestment Policy

In addition to the CalSTRS ESG policy, the board has adopted a [Divestment Policy](#), focusing on engagement, to respond to external or internal initiatives to divest of specific companies or industries. In accordance with this policy, CalSTRS has historically taken the position that active and direct engagement is the best way to resolve issues. Divestment bears the risk of adversely affecting an investment portfolio and severs any chance to advance positive change through shareholder advocacy. Meetings with shareowners and senior management, or the board of directors, are generally more effective in bringing about change in a corporation. Under the policy, the board will only consider divestment after all efforts at engagement have failed, and only then in cases where at least one of the ESG Risk Factors is violated over a sustained timeframe to the extent that it becomes an economic risk to the fund, creates a potential for material loss of revenue and weakens the trust of a significant portion of CalSTRS members. Finally, the Divestment Policy sets forth that the board will only instruct staff to divest of a security when it determines that continuing to hold a security is imprudent and inconsistent with its fiduciary duty.

### Armenian Genocide

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## FISCAL IMPACT

Program Cost – Unknown but significantly lower investment returns resulting from decreased ability to invest in asset classes that cannot be easily unitized. CalSTRS exposure to currency and debt securities directly issued by the government of Turkey is approximately \$2.2 million.

Additional exposure in global equity and infrastructure investments in which the government of Turkey is the majority owner are approximately \$717,000 and \$9.7 million, respectively. CalSTRS may incur opportunity costs if suitable alternative investments are unavailable or if such alternative investments do not provide an investment return that meets or exceeds those of the divested securities. Any resulting costs would be passed along to the state and employers in the form of higher contributions to the DB Program.

Administrative Costs/Savings – Unknown but significant costs ranging from hundreds of millions of dollars to \$1 billion for significant reprogramming of and associated delays to CalSTRS' new pension administration system as well as increased staffing and workload for Investments and Actuarial Resources.

## **SUPPORT**

Ardy Kassakhian, Glendale City Councilmember  
Armenian National Committee of America – Western Region

## **OPPOSITION**

CalSTRS  
California Professional Firefighters  
California Retired Teachers Association  
California Teachers Association  
Consul General, Los Angeles, Republic of Turkey

## **ARGUMENTS**

- Pro: Could eliminate the perception that CalSTRS and individual school districts are contributing to a continuing denial of the Armenian Genocide by Turkey.
- Con: Delegates some investment decisions to school districts that do not have fiduciary responsibility over the investment of CalSTRS' assets.
- Infringes upon the plenary, fiduciary and investment authority of the board.
- Reduces the investable universe and adversely affects portfolio performance.
- Is incompatible with CalSTRS' current portfolio management and benefits administration models.
- Creates additional unfunded liability not accounted for in the CalSTRS Funding Plan.
- Lacks clear definition of affected investment vehicles.

## 2021 LEGISLATIVE MATRIX

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### STATE LEGISLATION

Updated: 5/26/21

BILL/ AUTHOR	SPONSOR	SUMMARY	BOARD POSITION	LOCATION
<a href="#">AB 539</a> (Cooley)  Introduced: 2/10/21	CalSTRS	Grants the Teachers’ Retirement Board prudent flexibility to contract with investment managers and advisers under policies it adopts, and seeks to expand the CalSTRS Collaborative Model, an investment strategy to reduce costs, control risks and increase expected returns by managing more assets internally and leveraging external partnerships.	Sponsor	Senate L,PE&R Committee
<a href="#">AB 551</a> (Rodriguez)  Introduced: 2/10/21	CalSTRS	Authorizes CalSTRS to offer a traditional (tax-deferred) Individual Retirement Account (IRA) in addition to a Roth IRA and accept rollovers from any eligible retirement plan to those IRAs. Also enables CalSTRS to receive contributions from IRA participants and allows spouses of those participants to contribute to a CalSTRS IRA plan.	Sponsor	Assembly Floor
<a href="#">AB 845</a> (Rodriguez)  Amended: 3/30/21	SEIU	Creates a rebuttable presumption for disability retirements due to a COVID-19-related illness that the disability arose out of the member’s employment and sunsets on January 1, 2023.		Senate L,PE&R Committee
<a href="#">AB 890</a> (Cervantes)  Amended: 5/24/21	The New America Alliance	Requires the boards of CalSTRS and CalPERS, commencing March 1, 2023, to submit an annual report to the Legislature on the status of achieving appropriate objectives and initiatives, as defined by the system’s board, regarding participation of emerging or diverse asset managers in the systems’ investment portfolios. Requires the report to be based on contracts entered into on and after January 1, 2022, and to include specified information regarding each emerging or diverse manager. Sunsets on January 1, 2028.		Assembly Floor

BILL/ AUTHOR	SPONSOR	SUMMARY	BOARD POSITION	LOCATION
<a href="#">AB 1019</a> (Holden)  Introduced: 2/18/21	Author	Prohibits state trust money from being used to make additional or new investments or renew existing investments in investment vehicles issued or owned by the government of Turkey, its instrumentalities or political subdivisions. Also indemnifies present, former and future board members, officers and employees of and investment managers under contract with those state trust funds for actions related to the bill, and no longer applies if the government of Turkey adopts a policy to acknowledge the Armenian Genocide and embark on a path of affording justice to its victims.	Oppose	Assembly PE&R Committee
<a href="#">AJR 9</a> (Cooper)  Introduced: 3/1/21	CalRTA	Requests the U.S. President and Congress to enact legislation that would repeal the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) from the Social Security Act.		Assembly Floor
<a href="#">SB 294</a> (Leyva)  Introduced: 2/2/21	California Labor Federation; CFT; CTA	Removes the 12-year limitation for service credit earned by a member while on a compensated leave of absence for elected officer service under the Teachers' Retirement Law and the Public Employees' Retirement Law.	Neutral	Assembly PE&R Committee
<a href="#">SB 457</a> (Portantino)  Introduced: 2/16/21	Author	Requires CalSTRS to provide a school district an option to elect an investment portfolio that does not contain investment vehicles that are issued or owned by the government of the Republic of Turkey and extends the same provision to school districts and cities participating in CalPERS.	Oppose	Assembly Desk
<a href="#">SB 634</a> (L,PE&R)  Introduced: 2/19/21	CalSTRS	Makes various technical, conforming or minor changes to the Teachers' Retirement Law to facilitate efficient administration of the State Teachers' Retirement Plan. Also makes various technical and conforming changes in the Public Employees' Retirement Law and the County Employees Retirement Law.	Sponsor	Assembly PE&R Committee

**FEDERAL LEGISLATION**

Updated: 5/26/21

<b>BILL/ AUTHOR</b>	<b>SPONSO</b>	<b>SUMMARY</b>	<b>BOARD POSITION</b>	<b>LOCATION</b>
<a href="#">H.R. 82</a> (Davis-IL)  Introduced: 1/4/21	Author	Eliminates the GPO and the WEP from the Social Security Act.	Support	House Committee on Ways and Means
<a href="#">S. 588</a> (Feinstein-CA)  Introduced: 3/4/21  <a href="#">H.R. 1549</a> (Casten-IL)  Introduced: 3/3/21	Author	Establish a permanent Climate Risk Advisory Committee on the Financial Stability Oversight Council (FSOC), require specified regulatory agencies to include climate risk in their supervisory guidance, require FSOC to incorporate climate risk into specified decisions, require the Federal Insurance Office to report on modernizing and improving climate risk insurance regulation, and encourage financial regulators to join international networks on climate financial risk.		Senate Committee on Banking, Housing, and Urban Affairs  House Committee on Financial Services