

BILL NUMBER: [AB 181](#) (Rodriguez) as amended March 25, 2019

SUMMARY

AB 181 requires the boards of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) to submit an annual report to the Legislature on the status of achieving appropriate objectives and initiatives regarding participation of emerging managers within the retirement systems' investment portfolios. The report must include the names of all emerging managers providing investment portfolio or asset management services and the amount managed by each emerging manager.

BOARD POSITION

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 author, the bill will recodify required annual reporting to the Legislature relating to the use of emerging managers within the investment portfolio.

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. While the law was repealed as of January 1, 2018, due to its sunset clause, CalSTRS continues to produce the report. The report includes the definition of "emerging manager" and the aggregated total assets under management by emerging managers by asset class.

This Bill:

AB 181 requires CalSTRS to submit an annual report, beginning March 1, 2021, on the status of achieving appropriate objectives and initiatives, as defined by the board, regarding the participation of emerging managers in the system's investment portfolio. The report must also include the names of all emerging managers providing investment portfolio or asset management services and the amount managed by each emerging manager.

The bill also references the Public Records Act in order to safeguard emerging managers from disclosing information protected by Government Code section 6254.26. In addition, the provisions apply to new contracts entered on and after January 1, 2020, which aligns with good business practice by providing disclosures at the commencement of a contractual agreement and allows CalSTRS to remain in good standing with current emerging managers.

This bill proposes a report with more specific details than the one mandated under SB 294. The prior report did not name specific emerging managers or the assets under management by each manager.

LEGISLATIVE HISTORY

SB 294 (Price, Chapter 701, Statutes of 2011) required the CalSTRS board to define the term “emerging investment manager,” provide a five-year strategic plan for emerging investment manager participation across all asset classes and submit an annual report to the Legislature on the progress of the strategic plan beginning March 1, 2014, through January 1, 2018.

PROGRAM BACKGROUND

Diversity in the Management of Investments Report

Since SB 294 was enacted in 2011, CalSTRS has published its Diversity in the Management of Investments progress report on an annual basis. The reports have developed over the years to provide information on CalSTRS’ efforts and commitment to diversity within the investment portfolio. The latest report published in 2018 includes information on the gender, ethnic and age diversity of CalSTRS’ internal investment staff and its various initiatives to engage companies on environmental, social and governance issues. The report also outlines the definition of emerging manager within each 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 Cost – None.

Administrative Costs/Savings – Estimated personnel costs of approximately \$62,500 on an annual basis for information collection and production of the report.

SUPPORT

CalSTRS

OPPOSITION

None known.

ARGUMENTS

Pro: Increases transparency around the participation of emerging managers in CalSTRS’ investment portfolio.

Con: Increases administrative costs to produce the report.

LEGISLATIVE STAFF CONTACT

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