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

LEGISLATIVE COUNSEL’S DIGEST

AB 181, as amended, Rodriguez. Asset management: emerging and transition managers.

The California Constitution grants the retirement board of a public employee retirement system plenary authority and fiduciary responsibility for investment of moneys and administration of the retirement fund and system.

The Public Employees’ Retirement Law creates the Public Employees’ Retirement Fund for the benefit of the members and retired members of this retirement system and their survivors and beneficiaries. The Board of Administration of the Public Employees’ Retirement System (PERS) has the exclusive control of the administration and investment of the retirement fund.

The Teachers’ Retirement Law establishes the State Teachers’ Retirement System (STRS) for the benefit of teachers and other persons employed in connection with the schools of this state. STRS is administered by the Teachers’ Retirement Board.

This bill would require the Board of Administration of the Public Employees’ Retirement System and the Teachers’ Retirement Board to each provide a report to the Legislature, commencing March 1, 2020;
2021, and annually thereafter, until January 1, 2024, on the status of achieving appropriate objectives and initiatives, to be defined by the boards, regarding participation of emerging managers responsible for asset management within each system’s portfolio of investments. With respect to the duties of the PERS board, the bill also would require the board’s report to the Legislature to address the status of achieving appropriate objectives and initiatives regarding participation of transition managers responsible for asset management within its portfolio of investments. The bill would require that the report be based on contracts that the system enters into on and after January 1, 2020, and be based on information from the prior fiscal year. The bill would require each report to include certain elements and would require the boards to define specified terms emerging manager for purposes of these provisions.


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, 2020, 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 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, 2020.

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

(1) The name of each emerging manager contracted with to provide 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.

(2) The amount managed by each emerging manager by asset class at the end of the prior fiscal year.

(3) The name of each emerging manager for a contract to provide investment portfolio or asset management services, including, but not limited to, fund of funds contracts, that has been terminated by the board.
(c) The board shall define the term “emerging 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 that is not consistent *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 remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

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

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

20136. (a) Commencing March 1, 2020, 2021, 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 managers and transition managers responsible for asset management within its portfolio of investments. *The report shall apply to contracts the system enters into on and after January 1, 2020.*

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

1. The name of each emerging manager and transition manager contracted with to provide investment portfolio or asset management services, *services at the end of the prior fiscal year,* including, but not limited to, fund of fund contracts, for all asset classes, as applicable.

2. The amount managed by each emerging manager and each transition manager by asset class, *class at the end of the prior fiscal year.*

3. The name of each emerging manager and transition manager for a contract to provide investment portfolio or asset management services, *including, but not limited to, fund of funds contracts, that has been terminated by the board.*

39. (c) The board shall define the terms *term “emerging manager” and “transition 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 that is not consistent 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 remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

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