

The Diversity in the Management of Investments AB 890 Reporting

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Assembly Bill (AB) 890 Legislation

- The CalPERS Board to approve the Emerging Manager Program objective and the emerging and diverse manager definitions
- A required report on diverse investment managers within the CalPERS investment portfolio
- The first report is due to the California State Legislature on March 1, 2023, and includes CalPERS investments made from January 1 through June 30, 2022
- The AB 890 Report to be submitted annually through January 1, 2028

AB 890 Report Requirements

- Name of each emerging or diverse manager
- The year these emerging or diverse managers were first engaged or contracted to provide services
- Amount managed by each emerging or diverse manager by asset class
- Total amount allocated by asset class during the fiscal year
- Total Assets Under Management (AUM) of each asset class

CalPERS' Investment Beliefs

Our CalPERS' Investment Beliefs state that strong processes, teamwork, and deep resources are needed to achieve CalPERS goals and objectives and highlight the importance of diversity of talent in this process

Emerging Manager Program Objective

CalPERS' mission is to deliver retirement and health care benefits to our members and their beneficiaries.

In support of our mission, staff proposes the Emerging Manager Program objective below for approval:

- To generate appropriate risk-adjusted investment returns by identifying early-stage funds with strong potential for success; accessing unique investment opportunities that may otherwise be overlooked; and cultivating the next generation of external portfolio management talent

Emerging Manager Definition

Staff proposes “Emerging Managers” be defined based on the overall firm’s Assets Under Management (AUM), length of track record, and/or the specific fund’s size when applicable

Public Assets		
	Global Equity	Global Fixed Income
Firm AUM	≤ \$5B	≤ \$5B

Private Assets			
	Private Debt	Private Equity	Real Assets
Length of Track Record	First, Second, or Third Institutional Fund	First, Second, or Third Institutional Fund	First, Second, or Third Institutional Fund or Separate Account
Fund Size	≤ \$2B	≤ \$2B	≤ \$2B

Diverse Manager Definition

Staff proposes the definition of diverse manager be based on the total percentage of firm ownership and fund economics, and meets one of following tiered thresholds:

Substantially Diverse

- A firm that is 25% to 50% owned by women and/or ethnic minority group members, and/or a person of the LGBTQ+ community, or where diverse teams receive 25% to 50% of the fund's carried interest

Majority Diverse

- A firm that is over 50% owned by women and/or ethnic minority group members, and/or a person of the LGBTQ+ community, or where diverse teams receive more than 50% of the fund's carried interest

Next Steps

- Work with the asset classes to collect emerging and diverse manager data required to complete the AB 890 Report
- Work with the Office of Public Affairs to develop the AB 890 Report format
- Present the final AB 890 Report to the Board
- Work with the Legislative Affairs Division to submit the AB 890 Report to the California State Legislature

Questions

Appendix

Minority group members

- United States citizens and permanent residents who are African American, Asian American, Hispanic American, Native American, Pacific Islander, or Other, based EEO-1 US Census classifications

Person of the LGBTQ+ community

- Includes people who identify as Lesbian, Gay, Bi-sexual, Transgender, Queer, and more