



# Investment Committee

## Agenda Item 5c

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**November 13, 2023**

**Item Name:** Emerging and Diverse Manager Report to the Legislature (AB 890)

**Program:** Sustainable Investments

**Item Type:** Action

### **Executive Summary**

The intent of this agenda item is to present the second CalPERS' Diversity in the Management of Investments Report to the Investment Committee. The report is mandated by Assembly Bill (AB) 890 and will be submitted to the California State Legislature (Legislature).

### **Strategic Plan**

This agenda item supports the Strategic Plan goal to strengthen the long-term sustainability of the pension fund.

### **Investment Beliefs**

This agenda item supports:

- Investment Belief 10: Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives
  - Diversity of talent (including a broad range of education, experience, perspectives, and skills) at all levels (board, staff, external managers, and corporate boards) is important

### **Background**

In October 2021, AB 890 was signed into law requiring CalPERS and the California State Teachers' Retirement System (CalSTRS) to submit a report to the Legislature commencing on March 1, 2023, and annually thereafter. The bill sunsets on January 1, 2028. According to the bill's author, Cervantes, AB 890 is intended to ensure transparency and promote the inclusion of women and minority owned managers in the asset management industry. Known supporters of the bill include the New America Alliance and Association of Asian American Investment Managers.

It is important to note that California state law (enacted through the passage of Proposition 209 in 1996) prohibits state agencies from discriminating against or granting preferential treatment to any individual or group based on race, sex, color, ethnicity, or national origin in public contracting. As such, CalPERS cannot establish any participation goals for, or provide preferential treatment to, external managers based on race, sex, color, ethnicity, or national origin. Similar restrictions exist under federal law and the US Constitution. CalPERS may, however, collect data and other information regarding diverse characteristics for annual reports to the Legislature.

In September 2022, the CalPERS Board approved staff's recommendations for the Emerging Manager Program Objective and the emerging and diverse manager definitions.

The first CalPERS Diversity in the Management of Investments 2021-22 Fiscal Year Report was submitted to the Legislature on March 1, 2023.

## **Analysis**

Assembly Bill 890: Diversity in the Management of Investments 2022-23 Fiscal Year Report contains information related to CalPERS investments with emerging and diverse managers and among other things, provides the manager's name and commitment amount of each emerging and diverse manager. This report contains emerging and diverse manager activity from July 1, 2022, through June 30, 2023. The activity is displayed by asset class and across CalPERS' Total Fund.

The report is based on contracts entered into on and after July 1, 2022, and includes:

- Name of each emerging or diverse manager
- Emerging or diverse managers were first engaged
- Amount managed by each emerging or diverse manager by asset class
- Total amount allocated by CalPERS in the applicable asset class
- Total Assets Under Management (AUM) of each asset class

During the reporting period, CalPERS allocated funds to seven managers that met the emerging manager definition in Private Equity for a total allocation of approximately \$1.2 billion. And for the same reporting period, CalPERS allocated funds to nine managers that met the definition of diverse manager, for an allocation of approximately \$1.6 billion. The Assembly Bill 890: Diversity in the Management of Investments 2022-23 Fiscal Year Report will be submitted to the Legislative on March 1, 2024.

## **Budget and Fiscal Impacts**

None. CalPERS has team members that manage the emerging and diverse manager program and the mandated legislation.

## **Benefits and Risks**

Benefits:

This item satisfies the California State Legislature reporting requirement.

Risks:

None.

**Attachments**

Attachment 1 – Emerging and Diverse Managing Report to the Legislature (AB 890)-PPT

Attachment 2 – Assembly Bill 890: Diversity in the Management of Investments 2022-23 Fiscal Year Report

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