CalPERS

Investment Committee

Agenda Item 6b

November 16, 2026

Item Name: Diversity in the Management of Investments (AB 890)

Program: Sustainable Investments

Item Type: Action

Recommendation

For Infrastructure only, staff recommends increasing the maximum fund size from $2B to $5B, effective retroactively to July 1, 2026, while retaining the 1st, 2nd and 3rd institutional fund criterion.

Staff also seeks to present the 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.

Executive Summary

The intent of this agenda item is to present the Diversity in the Management of Investments (AB 890) Report to the Investment Committee and recommend increasing the maximum fund size for Infrastructure emerging managers from $2 billion to $5 billion, while maintaining the first, second, and/or third institutional fund criterion.

Strategic Plan

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

Investment Beliefs

This agenda items 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 California State Legislature (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. Since that time, staff has continued to evaluate whether the emerging manager definition appropriately reflects differences across asset classes. Infrastructure funds generally operate at a larger scale than other private market strategies, and applying the current $2 billion maximum fund size uniformly can exclude newer Infrastructure firms that otherwise meet the intent of the emerging manager definitions. The Diversity in the Management of Investments (AB 890) 2021-22, 2022-23, 2023-24, and 2024-25, Fiscal Year Reports were delivered to the Legislature on March 1, 2023, March 1, 2024, March 1, 2025, and March 1 2026, respectively.

Analysis

The Diversity in the Management of Investments (AB 890) Report contains information related to CalPERS investments with emerging and diverse manager activity from July 1, 2025 through June 30, 2026. 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, 2025, 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 20 managers that met the emerging manager definition in Private Equity for a total allocation of approximately $2.6 billion dollars. And for the same reporting period, CalPERS allocated funds to 40 managers that met the definition of diverse manager, for an allocation of approximately $13.4 billion dollars. The Diversity in the Management of Investments (AB 890) 2025-26 Fiscal Year Report will be submitted to the Legislative on March 1, 2027.

Budget and Fiscal Impacts

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

Benefits and Risks

Benefits: This item satisfies the California State Legislature reporting requirement.

Risks: None.

Attachments

Attachment 1 – Diversity in the Management of Investments (AB 890)-PPT

Attachment 2 – Diversity in the Management of Investments (AB 890) 2025-26 Fiscal Year Report

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