Diversity in the Management of Investments (AB 890)

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November 16, 2026

CalPERS

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Assembly Bill (AB) 890 Legislation

- All emerging and diverse manager commitments during the investment period July 1, 2025, to June 30, 2026
- This report is due to the California State Legislature on March 1, 2027

AB 890 Report Requirements

- Name of each emerging and diverse manager
- Emerging or diverse managers first engaged or contracted
- Amount managed by each emerging or diverse manager by asset class
- Total amount allocated by CalPERS in the applicable 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' Investments mission is to manage the CalPERS investment portfolio in an efficient and sustainable manner to generate risk adjusted returns to pay benefits now and into the future

The Emerging Manager Program objective:

- 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 & Change Rationale

- CalPERS Emerging Manager definition is based on the firm's AUM, length of track record, and/or the specific fund's size when applicable
- 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
- Infrastructure funds generally operate at a larger scale, and the current $2 billion threshold can exclude newer firms that otherwise meet the intent of the emerging manager definitions.

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

CalPERS diverse manager definition is based on the total percentage of firm ownership or fund economics, and meet 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

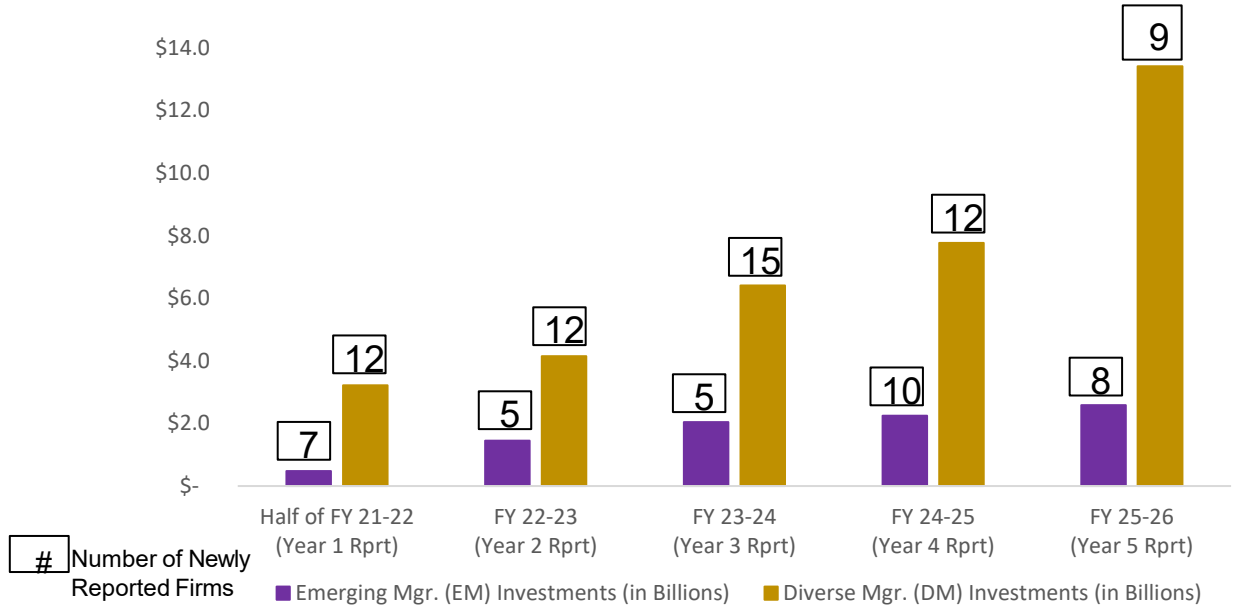
Majority Diverse

- 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

CalPERS Allocation to Emerging and Diverse Managers

- During the current reporting period, Private Equity asset class allocated to 20 managers that met the emerging manager definition for a total allocation of approximately $2.6 billion dollars
- For that same period, Private Debt, Private Equity and Real Assets asset classes allocated to 40 managers that met the definition of diverse for an allocation of approximately $13.4 billion dollars
- This chart shows the total allocated to emerging and diverse managers since the commencement of AB 890 reporting
- The chart also shows the number of new firms reported to distinguish them within the count of managers for each fiscal year given new firms may be reported subsequently

AB 890 Diverse and/or Emerging Manager New Investments[1]



(1) Methodology consistent with CalPERS' Assembly Bill 890 reporting (Chapter 472, Statutes 2021) and includes co-investments. The information regarding emerging managers encompasses CalPERS investments made through direct relationships, including with fund of fund advisors, as well as with underlying funds in fund of funds. Information regarding diverse managers encompasses CalPERS investments with both emerging and non-emerging managers.

Summary of Allocation by Asset Class

SUMMARY OF ALLOCATION BY ASSET CLASS (in Millions)				
	Total Assets Under Management as of June 30, 2026[1]	Allocation to External Managers[2] July 2025-June 2026	Allocation to Emerging Managers[2] July 2025-June 2026	Allocation to Diverse Managers[2] July 2025-June 2026
Private Equity	$123,571.4	$26,111	$2,589	$12,273
Global Equity	$241,792.4	$9,430	$0	$0
Global Fixed Income	$178,049.1	$13,464	$0	$0
Real Assets	$79,872.9	$13,902	$0	$350
Private Debt	$27,495.2	$12,925	$0	$800

1 AUM figures for each asset class are represented as Net Asset Value (NAV) reported in the CalPERS Trust Level Review presentation as of June 30, 2025.
2 The allocations to external managers, emerging managers, and diverse managers are listed as NAV after netting amount of increased and decreased fundings during the fiscal year in Global Equity and Global Fixed Income, and amount committed to alternative investment vehicles for Private Equity, Private Debt, and Real Assets.

Next Steps

- Approve new emerging manager definition for Infrastructure
- Coordinate with Public Affairs to produce the same style publication copy for the previous years of the CalPERS Diversity in the Management of Investments (AB 890) Report
- Coordinate with the Legislative Affairs Division to submit the CalPERS Diversity in the Management of Investments (AB 890) 2025-26 Fiscal Year Report to the California State Legislature on March 1, 2027
- Next year, we will report out on fiscal year 2026-27
- The report for next year would be the last one delivered to the Legislature unless it enacted to extend AB 890 reporting requirements before January 28, 2028
- The report will continue to be presented to Investment Committee as part of the Sustainable Investment annual program review agenda item

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