

AMENDED IN SENATE JUNE 15, 2012

AMENDED IN ASSEMBLY JANUARY 13, 2012

AMENDED IN ASSEMBLY MAY 11, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 17**

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**Introduced by Assembly Member Davis**

December 6, 2010

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An act to add and repeal Section 22204.5 of the Education Code, relating to retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 17, as amended, Davis. Retirement: pension fund management.

The Teachers' Retirement Law establishes the State Teachers' Retirement System in order to provide a financially sound plan for the retirement, with adequate retirement allowances, for teachers in public schools of the state, teachers in schools supported by the state, and other persons employed in connection with the schools. The plan and the system are administered by the Teachers' Retirement Board.

This bill would require the Teachers' Retirement Board ~~to submit a report to the Legislature~~, on or before August 1, 2013, and annually each August 1 thereafter, ~~on the ethnicity and gender of~~ *to aggressively participate in a legislative hearing on ethnic and gender diversity in regards to* the investment managers with whom it has contracted in the immediately preceding fiscal year, and who participate in managing its portfolios of external fund management contracts, as specified. The bill would also require the board ~~to report to the Legislature~~, on or before August 1, 2013, and annually each August 1 thereafter, *to participate in a legislative hearing* on the ethnicity and gender of the brokerage

firms with which it has contracted in the immediately preceding fiscal year, and that provide brokerage services to the fund’s internally and externally managed investment management firms, as specified. The bill would also require the board to develop and report to the Legislature, on or before August 1, 2013, and annually each August 1 thereafter, *to participate in a legislative hearing for the purpose of developing a plan and strategy for participation of emerging investment managers and emerging brokerage firms.* The bill would provide for the repeal of these provisions on January 1, 2018. The bill would also make related findings and declarations.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
 State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares all of the  
 2 following:  
 3 (a) The California State Teachers’ Retirement System has  
 4 approximately \$130 billion in assets under its management.  
 5 (b) As the nation’s leader in attracting private equity capital and  
 6 advancing innovation, California should also be the leader in  
 7 encouraging equal opportunity in our state pension fund utilization  
 8 of emerging investment managers and emerging brokerage firms.  
 9 SEC. 2. Section 22204.5 is added to the Education Code, to  
 10 read:  
 11 22204.5. (a) (1) ~~Notwithstanding Section 10231.5 of the~~  
 12 ~~Government Code, on~~ On or before August 1, 2013, and annually  
 13 ~~on or before~~ each August 1 thereafter, the board shall report to the  
 14 Legislature, ~~comprehensively and aggregately, on the ethnicity~~  
 15 ~~and gender of~~ *aggressively participate in a legislative hearing on*  
 16 *ethnic and gender diversity in regards to* the investment managers  
 17 with whom it has contracted in the immediately preceding fiscal  
 18 year, and who participate in managing its portfolio of external fund  
 19 management contracts, including all asset classes in which the  
 20 fund has assets allocated. ~~The report shall identify board shall~~  
 21 *testify in the legislative hearing on* the ownership composition of  
 22 any privately owned investment firm, including ethnic and gender  
 23 breakdowns as well as the portfolio value amount and asset class  
 24 managed, in addition to fees paid to each investment manager. The  
 25 ~~report board shall separately include a discuss in the legislative~~

1 *hearing the* percentage breakdown by ethnicity and gender of  
2 investment officer composition of contracted portfolio management  
3 firms. The board shall ~~report and further testify before the~~  
4 Legislature regarding strategic plans of promoting existing  
5 underlying emerging managers from manager of manager structures  
6 to direct mandates.

7 (2) ~~Notwithstanding Section 10231.5 of the Government Code,~~  
8 ~~on~~ *On* or before August 1, 2013, and annually *on or before* each  
9 August 1 thereafter, the board shall also ~~report, comprehensively~~  
10 ~~and aggregately,~~ *aggressively participate in a legislative hearing*  
11 on the ethnicity and gender of the brokerage firms with which it  
12 has contracted in the immediately preceding fiscal year, and which  
13 provide brokerage services to the fund’s internally and externally  
14 managed investment management firms in addition to the  
15 commissions paid for trading equity securities and par value traded  
16 for fixed income by product to each brokerage firm utilized by the  
17 fund. ~~Annually, the board shall testify at hearings before the~~  
18 Legislature ~~to discuss the reports required to be submitted by this~~  
19 ~~section.~~

20 (b) ~~Notwithstanding Section 10231.5 of the Government Code,~~  
21 ~~on~~ *On* or before August 1, 2013, and annually *on or before* each  
22 August 1 thereafter, the board shall ~~develop and report to the~~  
23 Legislature ~~a~~ *also aggressively participate in a legislative hearing*  
24 *for the purpose of developing a plan and strategy for participation*  
25 of emerging investment managers who manage internally and  
26 externally managed assets in each asset class, and emerging  
27 brokerage firms that execute securities on organized exchanges as  
28 selected agents. Any percentages provided by the board shall be  
29 used as a reporting threshold only, and not as a basis upon which  
30 to contract with any given emerging investment manager or  
31 emerging brokerage firm.

32 (c) The board shall define the terms “emerging investment  
33 manager” and “emerging brokerage firm” ~~by regulation through~~  
34 *an administrative process* for purposes of this section.

35 (d) ~~Nothing in this section shall require the board to take action~~  
36 ~~as described in this section unless the board determines, in good~~  
37 ~~faith, that the action described in this section is consistent with the~~  
38 ~~fiduciary responsibilities of the board as described in Section 17~~  
39 ~~of Article XVI of the California Constitution.~~

1 ~~(e) The reports required to be submitted by this section shall be~~  
2 ~~submitted in compliance with Section 9795 of the Government~~  
3 ~~Code.~~

4 ~~(f)~~

5 (d) This section shall remain in effect only until January 1, 2018,  
6 and as of that date is repealed, unless a later enacted statute, that  
7 is enacted before January 1, 2018, deletes or extends that date.