

Introduced by Senator Hernandez

February 16, 2011

An act to amend Sections 7513.8 and 82025.3 of the Government Code, relating to retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 398, as introduced, Hernandez. Retirement: external managers.

Existing law regulates investments made by public pension and retirement systems and defines the term "external manager" to mean a person who is seeking to be, or is, retained by a public retirement system to manage a portfolio of securities or other assets for compensation, or a person who is engaged, or proposes to be engaged, in the business of investing, reinvesting, owning, holding, or trading securities or other assets and who offers or sells, or has offered or sold, securities to a board.

This bill would make technical, nonsubstantive changes to those provisions.

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

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

- 1 SECTION 1. Section 7513.8 of the Government Code is
- 2 amended to read:
- 3 7513.8. As used in Sections 7513.85, 7513.86, 7513.87, 7513.9,
- 4 and 7513.95:
- 5 (a) "Board" means the retirement board of a public pension or
- 6 retirement system, as defined in subdivision (h) of Section 17 of
- 7 Article XVI of the California Constitution.

1 (b) “External manager” means either of the following:

2 (1) A person who is seeking to be, or is, retained by a board to
3 manage a portfolio of securities or other assets for compensation.

4 (2) A person who is engaged, or proposes to be engaged, in the
5 business of investing, reinvesting, owning, holding, or trading
6 securities or other assets, and who offers or sells, or has offered
7 or sold, securities to a board.

8 (c) “Person” means an individual, corporation, partnership,
9 limited partnership, limited liability company, or association, either
10 domestic or foreign.

11 (d) (1) “Placement agent” means any person hired, engaged,
12 or retained by, or serving for the benefit of or on behalf of, an
13 external manager, or on behalf of another placement agent, who
14 acts or has acted for compensation as a finder, solicitor, marketer,
15 consultant, broker, or other intermediary in connection with the
16 offer or sale of the securities, assets, or services of an external
17 manager to a board or an investment vehicle, either directly or
18 indirectly.

19 (2) Notwithstanding paragraph (1), an individual who is an
20 employee, officer, director, equityholder, partner, member, or
21 trustee of an external manager and who spends one-third or more
22 of his or her time, during a calendar year, managing the securities
23 or assets owned, controlled, invested, or held by the external
24 manager is not a placement agent.

25 (3) For purposes of this subdivision, “investment vehicle” means
26 a corporation, partnership, limited partnership, limited liability
27 company, association, or other entity, either domestic or foreign,
28 constituting or managed by an external manager in which a board
29 is the majority investor and that is organized in order to invest
30 with, or retain the investment management services of, other
31 external managers.

32 SEC. 2. Section 82025.3 of the Government Code is amended
33 to read:

34 82025.3. “External manager” means either of the following:

35 (1) A person who is seeking to be, or is, retained by a state
36 public retirement system in California to manage a portfolio of
37 securities or other assets for compensation.

38 (2) A person who is engaged, or proposes to be engaged, in the
39 business of investing, reinvesting, owning, holding, or trading

- 1 securities or other assets, and who offers or sells, or has offered
- 2 or sold, securities to a state public retirement system in California.

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