

AMENDED IN ASSEMBLY MAY 25, 2012

AMENDED IN ASSEMBLY MAY 17, 2012

AMENDED IN SENATE MARCH 29, 2012

**SENATE BILL**

**No. 955**

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**Introduced by Senators Pavley and Rubio**

(Principal coauthor: Assembly Member Alejo)

**(Coauthor: Senator DeSaulnier)**

(Coauthors: Assembly Members Ammiano, Blumenfield, Perea, Solorio,  
Wieckowski, and Williams)

January 5, 2012

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An act to add Section 7514.2 to the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 955, as amended, Pavley. Public employees' retirement: pension fund management.

Existing law establishes ~~various public retirement systems, including, among others, the Public Employees' Retirement System (PERS), and the State Teachers' Retirement System (STRS), the Judges' Retirement System II, and various county retirement systems pursuant to the County Employees Retirement Law of 1937.~~ These systems provide defined pension benefits to public employees based on age, service credit, and final compensation. The California Constitution confers upon the retirement boards of public retirement systems plenary authority and fiduciary responsibility for the investment of moneys of those systems.

This bill would authorize these public retirement system boards, consistent with their fiduciary duties and the standard for prudent

investment, to prioritize investment in an in-state infrastructure project over a comparable out-of-state infrastructure project.

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. (a) The Legislature finds and declares all of the  
2 following:

3 (1) Due to the current economic recession in which the residents  
4 of the state and the nation as a whole find themselves, infrastructure  
5 investment represents a significant opportunity to spur job growth  
6 while improving California’s infrastructure, which is important to  
7 maintain business competitiveness.

8 (2) While California may be emerging from the recession, over  
9 2,000,000 Californians remain unemployed.

10 (3) Investments in infrastructure can provide much needed  
11 employment opportunities for Californians struggling to find work,  
12 as well as provide a steady rate of return for investment funds that  
13 invest in those projects.

14 (4) The California Public Employees’ Retirement System  
15 (CalPERS) has announced plans to invest up to eight hundred  
16 million dollars (\$800,000,000) in both public and private  
17 infrastructure, as defined in the CalPERS Infrastructure Program  
18 Investment Policy.

19 (5) The California State Teachers’ Retirement System  
20 (CalSTRS) has committed up to six hundred fifty million dollars  
21 (\$650,000,000) to infrastructure, in accordance with the CalSTRS  
22 Infrastructure Program Investment Policy.

23 (b) Accordingly, it is the intent of the Legislature in enacting  
24 this act, consistent with the plenary authority and fiduciary  
25 responsibilities of the retirement boards of public pension or  
26 retirement systems under Section 17 of Article XVI of the  
27 California Constitution, that those retirement boards that have  
28 specifically targeted infrastructure investment policies prioritize  
29 investments in projects located in California.

30 SEC. 2. Section 7514.2 is added to the Government Code, to  
31 read:

32 7514.2. (a) As used in this section, the following definitions  
33 shall apply:

1 (1) “Board” means the ~~retirement board of a public pension or~~  
2 ~~retirement system, as defined in subdivision (h) of Section 17 of~~  
3 ~~Article XVI of the California Constitution~~ *Board of Administration*  
4 *of the Public Employees’ Retirement Board and the Teachers’*  
5 *Retirement Board.*

6 (2) “Infrastructure” includes, but is not limited to,  
7 telecommunications, power, transportation, ports, petrochemical,  
8 and utilities.

9 (b) A board may, subject to and consistent with its fiduciary  
10 duties and the standard for prudent investment set forth in Section  
11 20190 of this code, Section 22203 of the Education Code, and  
12 Section 17 of Article XVI of the California Constitution, prioritize  
13 investment in an in-state infrastructure project over a comparable  
14 out-of-state project.

15 (c) The Legislature encourages each board to prioritize  
16 investment in in-state infrastructure projects over alternative  
17 out-of-state infrastructure projects if the investments in the in-state  
18 projects are consistent with the board’s fiduciary duties to minimize  
19 the risk of loss and to maximize the rate of return.

20 (d) Nothing in this section shall require a board to take action  
21 that is inconsistent with its plenary authority and fiduciary  
22 responsibilities, as described in Section 17 of Article XVI of the  
23 California Constitution.