

AMENDED IN SENATE APRIL 24, 2000

**SENATE BILL**

**No. 2122**

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**Introduced by Senator Ortiz**

February 25, 2000

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An act to repeal, add, and repeal Chapter 21.4 (commencing with Section 7515) of Division 7 of Title 1 of the Government Code, relating to public retirement fund investments.

LEGISLATIVE COUNSEL'S DIGEST

SB 2122, as amended, Ortiz. Joint Retirement System Investment Advisory ~~Board~~ *Panel*.

The California Constitution provides that the retirement boards of public pension or retirement systems have plenary authority over the assets of ~~the system~~ *their respective systems*, subject to their fiduciary duties to the systems' members.

This bill would establish the Joint Retirement System Investment Advisory ~~Board~~ *Panel* that would ~~be authorized to~~ *make recommendations to and provide advice to, and facilitate the sharing of information between,* the Public Employees' Retirement System and the State Teachers' Retirement System, as specified. The provisions of the bill would be repealed on January 1, 2004.

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. This act shall be known and may be cited  
2 as the Joint Retirement System Investment Advisory  
3 ~~Board Panel~~ Act of 2000.

4 SEC. 2. Chapter 21.4 (commencing with Section  
5 7515) of Division 7 of Title 1 of the Government Code is  
6 repealed.

7 SEC. 3. Chapter 21.4 (commencing with Section  
8 7515) is added to Division 7 of Title 1 of the Government  
9 Code, to read:

10  
11 CHAPTER 21.4. JOINT RETIREMENT SYSTEM INVESTMENT  
12 ADVISORY ~~BOARD~~ PANEL  
13

14 7515. The Joint Retirement System Investment  
15 Advisory ~~Board Panel~~ is hereby established. As used in  
16 this chapter, ~~“board”~~ “panel” shall mean the Joint  
17 Retirement System Investment Advisory ~~Board~~.~~The~~  
18 ~~board Panel~~. *The panel shall consist of:*

19 (a) The Governor.

20 (b) The Treasurer.

21 (c) The Controller.

22 (d) *Two of the elected members of the Board of*  
23 *Administration of the Public Employees’ Retirement*  
24 *System.*

25 ~~(e) Two members of the Teachers’ Retirement Board.~~

26  
27 *(e) Two of the members of the Teachers’ Retirement*  
28 *Board described in paragraphs (5) to (10), inclusive, of*  
29 *subdivision (a) of Section 22200 of the Education Code.*

30 (f) Six investment professionals.

31 7516. ~~The board~~ *(a) The members of the panel*  
32 *described in subdivisions (d) and (e) Section 7515 shall*  
33 *serve for a term of one year. No person shall serve a*  
34 *subsequent term until all other eligible members of his or*  
35 *her respective retirement board have served on the*  
36 *panel.*

37 *(b) The members of the panel described in subdivision*  
38 *(f) of Section 7515 shall be appointed by the Treasurer*

1 and the Controller, jointly, for a term of two years, subject  
2 to Senate confirmation, and may be reappointed to serve  
3 subsequent or consecutive terms at the discretion of the  
4 Treasurer and the Controller, subject to Senate  
5 confirmation. Each of those members shall be  
6 experienced in the field of investments and shall have  
7 served, or shall be serving, as a senior officer or member  
8 of the board of an insurance company, banking  
9 corporation, or other financial or investment  
10 organization authorized to do business in California.

11 (c) No member of the panel described in subdivision  
12 (f) of Section 7515 shall have any direct personal  
13 involvement or economic interest in any financial  
14 transaction with the State Teachers' Retirement System  
15 or the Public Employees' Retirement System while the  
16 member serves on the panel or for one year after the  
17 expiration or earlier termination of the member's term  
18 on the panel.

19 7517. (a) The members of the panel, other than the  
20 members described in subdivision (f) of Section 7515,  
21 shall annually elect a chairperson of the panel.

22 (b) The panel shall meet no less than quarterly, but  
23 may meet at the call of the chairperson. Panel members  
24 are required to attend meetings; however, the Governor,  
25 the Treasurer, and the Controller may designate a  
26 representative to attend meetings and to act in his or her  
27 stead.

28 (c) Notwithstanding any other provision of law, the  
29 members of the panel shall receive no salary,  
30 compensation, or reimbursement for expenses related to  
31 their service on the panel. The panel shall not employ any  
32 permanent staff.

33 (d) Any expenses incurred by the panel shall be paid  
34 in equal shares by the State Teachers' Retirement System  
35 and the Public Employees' Retirement System.

36 7518. (a) Subject to and consistent with the  
37 provisions of Section 17 of Article XVI of the California  
38 Constitution, the panel shall not establish investment  
39 policies for the Public Employees' Retirement System  
40 ~~and~~ or the State Teachers' Retirement System, but ~~may~~



1 ~~make recommendations to those systems with respect to~~  
2 ~~the following:~~

3 ~~(a) Active versus passive investments.~~

4 ~~(b) Asset allocation.~~

5 7517.—, *instead, shall do the following:*

6 (1) *Review asset allocations and make*  
7 *recommendations to those systems at least once a year*  
8 *prior to the asset allocation workshops of those systems.*

9 (2) *Analyze, from a strategic perspective, active*  
10 *versus passive management of investments and give*  
11 *advice to the respective systems as appropriate.*

12 (3) *Facilitate information sharing and education*  
13 *between the governing boards of the two systems relating*  
14 *to investment policy to avoid historical problems in these*  
15 *areas.*

16 7519. This chapter shall remain in effect only until  
17 January 1, 2004, and as of that date is repealed, unless a  
18 later enacted statute, that is enacted before January 1,  
19 2004, deletes or extends that date.

