

AMENDED IN SENATE AUGUST 18, 2010

AMENDED IN SENATE AUGUST 2, 2010

AMENDED IN SENATE JUNE 21, 2010

AMENDED IN ASSEMBLY APRIL 5, 2010

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 1919

Introduced by Assembly Member Davis

February 16, 2010

~~An act to amend Section 27585 of the Government Code, relating to local government.~~ *An act to add Section 22204.5 to the Education Code, and to add Section 20139 to the Government Code, relating to retirement.*

LEGISLATIVE COUNSEL'S DIGEST

AB 1919, as amended, Davis. ~~Local government: county surveyor: survey monument preservation fund.~~ *Retirement: pension fund management.*

The Public Employees' Retirement Law creates the Public Employees' Retirement Fund, which is a trust fund created and administered solely for the benefit of the members and retired members of this system and their survivors and beneficiaries. The Board of Administration of the Public Employees' Retirement System has the exclusive control of the administration and investment of the retirement fund.

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 Board of Administration of the Public Employees' Retirement System and the Teachers' Retirement Board to submit a report annually to the Legislature on the ethnicity and gender of the investment managers who participate in managing their portfolios of external fund management contracts, as specified. The bill would also require these boards to report on the ethnicity and gender of the brokerage firms that provide brokerage services to their fund's internally and externally managed investment management firms, as specified. The bill would also require these boards to develop and include in the report plans and strategies to increase the participation of emerging investment managers, as defined, and emerging brokerage firms, as defined. The bill would also make related findings and declarations.

~~Existing law authorizes the board of supervisors of a county to establish a survey monument preservation fund and to impose a user fee, not to exceed \$10, to be charged and collected by the county recorder as a condition to the filing or recording of any grant deed conveying real property except for those grant deeds conveying lots created by recorded tract maps. Existing law requires that the fees be forwarded monthly by the county recorder to the county treasurer for deposit to the fund.~~

~~This bill would delete this exemption from the user fee. The bill would also require, prior to the forwarding of the fee to the county treasurer, the deduction and retention of an amount not to exceed 5% for reimbursing the county recorder for expenses incurred in carrying out these provisions.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-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 Public Employees' Retirement System, the*
- 4 *nation's largest pension fund, and the California State Teachers'*
- 5 *Retirement System, together, have approximately \$328 billion in*
- 6 *assets under their management.*

1 ***(b) As the nation’s leader in attracting private equity capital***
2 ***and advancing innovation, California should also be the leader***
3 ***in encouraging equal opportunity in our state pension fund***
4 ***utilization of emerging investment managers and emerging***
5 ***brokerage firms.***

6 **SEC. 2.** *Section 22204.5 is added to the Education Code, to*
7 ***read:***

8 **22204.5.** *(a) (1) Notwithstanding Section 10231.5 of the*
9 ***Government Code, the board shall annually report to the***
10 ***Legislature, comprehensively and aggregately, on the ethnicity***
11 ***and gender of the investment managers who participate in***
12 ***managing its portfolio of external fund management contracts,***
13 ***including all asset classes in which the fund has assets allocated.***
14 ***The report shall identify the investment firm ownership***
15 ***composition, including ethnic and gender breakdowns as well as***
16 ***the portfolio value amount and asset class managed, in addition***
17 ***to fees paid to each investment manager. The report shall***
18 ***separately include a percentage breakdown by ethnicity and gender***
19 ***of investment officer composition of contracted portfolio***
20 ***management firms. The board shall report and testify before the***
21 ***Legislature regarding strategic plans of promoting existing***
22 ***underlying emerging managers from manager of manager***
23 ***structures to direct mandates.***

24 ***(2) The board shall also annually report, comprehensively and***
25 ***aggregately, on the ethnicity and gender of the brokerage firms***
26 ***who provide brokerage services to the fund’s internally and***
27 ***externally managed investment management firms in addition to***
28 ***the commissions paid for trading equity securities and par value***
29 ***traded for fixed income by product, to each brokerage firm utilized***
30 ***by the fund. The board shall be required to highlight within the***
31 ***reports submitted firms that are at least 51 percent minority owned***
32 ***or women owned, or both. Annually, the board shall testify at***
33 ***hearings before the Legislature to discuss the reports required to***
34 ***be submitted by this section.***

35 ***(3) The reports required to be submitted by this section shall***
36 ***be submitted in compliance with Section 9795 of the Government***
37 ***Code.***

38 ***(b) The board shall develop and include in the annual report***
39 ***to the Legislature a detailed and verifiable plan and strategy to***
40 ***increase the participation of emerging investment managers and***

1 *emerging brokerage firms, in each asset class, that are internally*
2 *and externally managed by investment managers that manage*
3 *publicly traded securities. Any percentages provided by the board*
4 *shall be used as a reporting threshold only, and not as a basis*
5 *upon which to contract with any given emerging investment*
6 *manager or emerging brokerage firm.*

7 (c) *“Emerging investment manager” means a qualified*
8 *investment firm that is at least 51 percent minority or women*
9 *owned that manages an investment portfolio of less than ten billion*
10 *dollars (\$10,000,000,000) in publicly traded assets, less than two*
11 *billion dollars (\$2,000,000,000) in a private equity fund of funds*
12 *and real estate partnerships, less than five hundred million dollars*
13 *(\$500,000,000) in REITs, hedge funds, and private equity, and*
14 *less than one billion dollars (\$1,000,000,000) in a hedge fund of*
15 *funds.*

16 (d) *“Emerging brokerage firm” means a qualified brokerage*
17 *firm that is at least 51 percent minority or women owned.*

18 (e) *Nothing in this section shall require the board to take action*
19 *as described in this section unless the board determines, in good*
20 *faith, that the action described in this section is consistent with*
21 *the fiduciary responsibilities of the board as described in Section*
22 *17 of Article XVI of the California Constitution.*

23 SEC. 3. *Section 20139 is added to the Government Code, to*
24 *read:*

25 20139. (a) (1) *Notwithstanding Section 10231.5, the board*
26 *shall annually report to the Legislature, comprehensively and*
27 *aggregately, on the ethnicity and gender of the investment*
28 *managers who participate in managing its portfolio of external*
29 *fund management contracts, including all asset classes in which*
30 *the fund has assets allocated. The report shall identify the*
31 *investment firm ownership composition, including ethnic and*
32 *gender breakdowns as well as the portfolio value amount and asset*
33 *class managed, in addition to fees paid to each investment*
34 *manager. The report shall separately include a percentage*
35 *breakdown by ethnicity and gender of investment officer*
36 *composition of contracted portfolio management firms. The board*
37 *shall report and testify before the Legislature regarding strategic*
38 *plans of promoting existing underlying emerging managers from*
39 *manager of manager structures to direct mandates.*

1 (2) *The board shall also annually report, comprehensively and*
2 *aggregately, on the ethnicity and gender of the brokerage firms*
3 *who provide brokerage services to the fund’s internally and*
4 *externally managed investment management firms in addition to*
5 *the commissions paid for trading equity securities and par value*
6 *traded for fixed income by product, to each brokerage firm utilized*
7 *by the fund. The board shall be required to highlight within the*
8 *reports submitted firms that are at least 51 percent minority owned*
9 *or women owned, or both. Annually, the board shall testify at*
10 *hearings before the Legislature to discuss the reports required to*
11 *be submitted by this section.*

12 (3) *The reports required to be submitted by this section shall*
13 *be submitted in compliance with Section 9795 of the Government*
14 *Code.*

15 (b) *The board shall develop and include in the annual report*
16 *to the Legislature a detailed and verifiable plan and strategy to*
17 *increase the participation of emerging investment managers and*
18 *emerging brokerage firms, in each asset class, that are internally*
19 *and externally managed by investment managers that manage*
20 *publicly traded securities. Any percentages provided by the board*
21 *shall be used as a reporting threshold only, and not as a basis*
22 *upon which to contract with any given emerging investment*
23 *manager or emerging brokerage firm.*

24 (c) *“Emerging investment manager” means a qualified person*
25 *or investment firm that manages an investment portfolio of less*
26 *than ten billion dollars (\$10,000,000,000) in publicly traded assets,*
27 *less than two billion dollars (\$2,000,000,000) in a private equity*
28 *fund of funds and real estate partnerships, less than five hundred*
29 *million dollars (\$500,000,000) in REITs, hedge funds, and private*
30 *equity, and less than one billion dollars (\$1,000,000,000) in a*
31 *hedge fund of funds.*

32 (d) *“Emerging brokerage firm” means a qualified brokerage*
33 *that is at least 51 percent minority or women owned.*

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

39 ~~SECTION 1. Section 27585 of the Government Code is~~
40 ~~amended to read:~~

1 ~~27585. (a) For the limited purpose of financing the survey~~
2 ~~monument preservation fund pursuant to Section 27584, the board~~
3 ~~may impose a user fee, not to exceed ten dollars (\$10), or an~~
4 ~~amount set pursuant to Chapter 12.5 (commencing with Section~~
5 ~~54985) of Division 2 of Title 5, which shall be charged and~~
6 ~~collected by the county recorder, over and above any other fees~~
7 ~~required by law, as a condition precedent to the filing or recording~~
8 ~~of any grant deed conveying real property. Except as otherwise~~
9 ~~provided in subdivision (b), the county recorder shall, after~~
10 ~~deducting and retaining an amount not to exceed 5 percent solely~~
11 ~~for reimbursement of expenses incurred in carrying out this section,~~
12 ~~forward the fees monthly to the county treasurer for deposit to the~~
13 ~~county survey monument preservation fund. Following the~~
14 ~~establishment of the fund, the board of supervisors may extinguish~~
15 ~~the fund if a finding is made by the board that the need for the fund~~
16 ~~no longer exists.~~

17 ~~(b) Notwithstanding subdivision (a) or (c), if a city engineer of~~
18 ~~a city with a population of more than 1,500,000 persons conducts~~
19 ~~the survey pursuant to Section 27584, any user fees collected~~
20 ~~pursuant to subdivision (a) on and after January 1, 1987, with~~
21 ~~respect to any grant deed conveying real property located wholly~~
22 ~~within the city, shall be transferred monthly by the county recorder~~
23 ~~to the city treasurer of the city to reimburse the city for the~~
24 ~~expenses incurred by the city engineer in conducting that survey.~~

25 ~~(c) Except as provided in subdivision (b), no funds collected by~~
26 ~~the county recorder for the survey monument preservation fund~~
27 ~~shall be transferred to, or deposited in, any other fund or used for~~
28 ~~any other purpose.~~