

Assembly Bill 890: Diversity in the Management of Investments 2021-22 Fiscal Year Report

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Assembly Bill (AB) 890 Legislation

- Emerging Manager Program objective along with emerging and diverse manager definitions
- All emerging and diverse manager commitments during the investment period January 1, 2022, through June 30, 2022
- This report is due to the California State Legislature on March 1, 2023

AB 890 Report Requirements

- Name of each emerging or diverse manager
- The year these emerging or diverse managers were first engaged or under contracted to provide services
- Amount managed by each emerging or diverse manager by asset class at the end of the prior fiscal year
- Total amount allocated by CalPERS in the applicable asset class during the fiscal year
- Total Assets Under Management (AUM) of each asset class

CalPERS' Investment Beliefs

Our CalPERS' Investment Beliefs state that strong processes, teamwork, and deep resources are needed to achieve CalPERS goals and objectives and highlight the importance of diversity of talent in this process.

Emerging Manager Program Objective

CalPERS' mission is to deliver retirement and health care benefits to our members and their beneficiaries.

The Emerging Manager Program objective:

- To generate appropriate risk-adjusted investment returns by identifying early-stage funds with strong potential for success; accessing unique investment opportunities that may otherwise be overlooked; and cultivating the next generation of external portfolio management talent.

Emerging Manager Definition

CalPERS Emerging Manager definition is based on the firm’s overall Assets Under Management (AUM), length of track record, and/or the specific fund’s size when applicable.

Public Assets		
	Global Equity	Global Fixed Income
Firm AUM	≤ \$5B	≤ \$5B

Private Assets			
	Private Debt	Private Equity	Real Assets
Length of Track Record	First, Second, or Third Institutional Fund	First, Second, or Third Institutional Fund	First, Second, or Third Institutional Fund or Separate Account
Fund Size	≤ \$2B	≤ \$2B	≤ \$2B

Diverse Manager Definition

CalPERS diverse manager definition is based on the total percentage of firm ownership or fund economics, and meet one of following tiered thresholds:

Substantially Diverse

- A firm that is 25% to 50% owned by women and/or ethnic minority group members, and/or a person of the LGBTQ+ community, or where diverse teams receive 25% to 50% of the fund's carried interest

Majority Diverse

- A firm that is over 50% owned by women and/or ethnic minority group members, and/or a person of the LGBTQ+ community, or where diverse teams receive more than 50% of the fund's carried interest

CalPERS Allocations to Emerging and Diverse Managers

- During the reporting period, CalPERS allocated to seven managers that met the emerging manager definition, across three different asset classes, for a total allocation of \$480.5 million
- For that same period, CalPERS allocated to 12 managers that met the definition of diverse, for an allocation of approximately \$3.2 billion

Summary of Allocation by Asset Class

SUMMARY OF ALLOCATIONS BY ASSET CLASS \$Millions				
	Private Equity	Global Equity	Global Fixed Income	Real Assets
Total Assets Under Management as of June 30, 2022¹	\$52,800	\$195,150	\$117,562	\$65,300
Allocation to External Managers: January 2022 – June 2022²	\$8,100	\$140.6	\$133	\$5,900
Allocation to Emerging Managers: January 2022 – June 2022²	\$175.0	\$140.6	\$0	\$164.8
Allocation to Diverse Managers: January 2022 – June 2022²	\$2,916	\$140.6	\$0	\$164.8



1. The Assets Under Management figures for each asset class are represented as Net Asset Value (NAV)
 2. The allocations to External Managers, Emerging Managers, and Diverse Managers are listed as NAV in Global Equity and Global Fixed Income and by dollars committed in Private Equity and Real Assets

Next Steps

- Work with the Office of Public Affairs to develop the formal AB 890 Report format
- Work with the Legislative Affairs Division to submit the AB 890 Report to the California State Legislature
- Next year, we will report out on Fiscal Year 2022/23

Questions

Appendix

Minority group members

- United States citizens and permanent residents who are African American, Asian American, Hispanic American, Native American, Pacific Islander, or Other, based EEO-1 US Census classifications

Person of the LGBTQ+ community

- Includes people who identify as Lesbian, Gay, Bi-sexual, Transgender, Queer, and more