

Diversity in the Management of Investments (AB 890)

Sustainable Investments

November 18, 2024

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Assembly Bill (AB) 890 Legislation

- All emerging and diverse manager commitments during the investment period July 1, 2023, to June 30, 2024
- This report is due to the California State Legislature on March 1, 2025

AB 890 Report Requirements

- Name of each emerging and diverse manager
- Emerging or diverse managers first engaged or contracted
- Amount managed by each emerging or diverse manager by asset class
- 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' Investments mission is to manage the CalPERS investment portfolio in an efficient and sustainable manner to generate risk adjusted returns to pay benefits now and into the future

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 overall firm's 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 Allocation to Emerging and Diverse Managers

- During the current reporting period, CalPERS allocated to eleven managers that met the emerging manager definition, across the Private Equity asset class, for a total allocation of approximately \$2 billion dollars
- For that same period, CalPERS allocated to twenty-seven managers that met the definition of diverse, for an allocation of approximately \$6.3 billion dollars

Summary of Allocation by Asset Class

SUMMARY OF ALLOCATION BY ASSET CLASS \$Millions				
	Total Assets Under Management as of June 30, 2024 ¹	Allocation to External Managers ² July 2023-June 2024	Allocation to Emerging Managers ² July 2023-June 2024	Allocation to Diverse Managers ² July 2023-June 2024
Private Equity	\$78,150	\$16,634	\$2,040	\$6,256
Global Equity	\$210,591	\$1,500	\$0	\$0
Global Fixed Income	\$148,936	\$4,591	\$0	\$0
Real Assets	\$66,419	\$13,266	\$0	\$0
Private Debt	\$13,862	\$7,150	\$0	\$0

¹ AUM 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 after netting amount of increased and decreased fundings during the fiscal year in Global Equity and Global Fixed Income, and amount committed to alternative investment vehicles for Private Equity, Private Debt, and Real Assets.

Next Steps

- Coordinate with Public Affairs to produce the same style publication copy for the previous years of the CalPERS Diversity in the Management of Investments (AB 890) Report
- Coordinate with the Legislative Affairs Division to submit the CalPERS Diversity in the Management of Investments (AB 890) 2023-24 Fiscal Year Report to the California State Legislature on March 1, 2025
- Next year, we will report out on Fiscal Year 2024/25

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