# Legislative Analysis

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**PUBLIC EMPLOYEE RETIREMENT SYSTEM: EMERGING FUND MANAGERS**

**House Bill 5618**
**Sponsor: Rep. Shanelle Jackson**
**Committee: Senior Health, Security and Retirement**

**Complete to 3-3-10**

**A SUMMARY OF HOUSE BILL 5618 AS INTRODUCED 12-1-09**

House Bill 5618 would amend the Public Employee Retirement System Investment Act (MCL 38.1139a et al.) in the following ways.

- It would add a new Section 13e to require that a retirement system that uses an investment fiduciary to render investment advice for a fee make a good faith effort to use a fiduciary that is a qualified emerging fund manager. Under the bill, an "emerging fund manager" is a private professional investment manager that manages assets of two billion dollars or less.

  Under the bill, a retirement system would be required to submit a report to the Legislature on the methods and results of the good-faith effort to make use of emerging fund managers. The report would have to include data disaggregated by race, ethnicity, gender, and fund size.

- The act currently specifies that if the investment fiduciary is the State Treasurer, investments in private equity cannot exceed 30 percent of the total assets. The bill would specify that for all other investments fiduciaries, investments in private equity could not be more than 25 percent of the total assets.

**FISCAL IMPACT:**

House bill 5618 would have an indeterminate fiscal impact. The provisions of the bill would require a retirement system that uses an investment fiduciary to render investment advice for a fee to make a good faith effort to use a fiduciary that is a qualified emerging fund manager. Any fiscal impact to the retirement fund would be the result of a change in investment returns due to the use of an emerging fund manager and the fee charged by the emerging fund manager. Moreover, the retirement system would incur indeterminate costs associated with the required report under the provisions of the bill.

The provisions of the bill would also limit investment fiduciaries other than the state treasurer to a maximum investment of 25 percent of total assets in private equity. Any fiscal impact would be the result of a change in investment returns due to a limitation on asset investment in private equity.

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