

**COUNCIL OF THE DISTRICT OF COLUMBIA  
COMMITTEE OF THE WHOLE  
COMMITTEE REPORT**

1350 Pennsylvania Avenue, NW, Washington, DC 20004

DRAFT

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**TO:** All Councilmembers

**FROM:** Chairman Phil Mendelson  
Committee of the Whole

**DATE:** September 22, 2020

**SUBJECT:** Report on Bill 23-606, the “Diverse Fund Managers and Reporting Requirements Amendment Act of 2020”

The Committee of the Whole, to which Bill 23-606, the “Diverse Fund Managers and Reporting Requirements Amendment Act of 2020” was referred, reports favorably thereon with amendments, and recommends approval by the Council.

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**I. BACKGROUND AND NEED**

Bill 23-606, the “Diverse Fund Managers and Reporting Requirements Amendment Act of 2020,”<sup>1</sup> was introduced by Councilmember Kenyan McDuffie on January 7, 2020, and co-sponsored by Councilmembers Allen, Bonds, Cheh, Grosso, Nadeau, Silverman, Todd, and R. White. Bill 23-606 would require the District of Columbia Retirement Board to report annually on the affirmative steps taken to hire diverse fund managers.

The District of Columbia Retirement Board are fiduciaries responsible for managing the police, firefighter, and teacher retirement funds (the Fund) that are comprised of funds paid in by these District employees and the any returns or losses on those investments. The fund is used to support retired annuitants. Rather than the Board directly investing, it has an Investment Team that manages the investment portfolio. Currently, 75% of the fund is invested in “passive management” investments. The remaining 25% is invested in active investment strategies that are managed by independent investment managers or firms retained by the Board.

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<sup>1</sup> Originally introduced as the “Diversity in Fund Management Amendment Act of 2020.”

Emerging fund managers are generally those independent investment managers or firms that are majority-minority-owned and manage a smaller portfolio of assets, recognizing their being newer to the marketplace than large established firms. Concern has been raised that fiduciaries may shy away from utilizing such fund managers because of their size or level of experience. However, considerable research on diversity and business suggests is a link between racial and gender diversity, and shareholder value given that emerging managers have much more to lose should they not make sound investments, and much more to gain when they overperform relative to more established managers.<sup>2</sup>

After reviewing some of this research, and after hearing from DCRB’s investment consultant and local experts, the Committee agrees that the District should routinely consider diversity with regard to the management of annuitants’ assets (not to mention considering diversity in any decision-making). One tool to encourage such decisions is by transparency through annual reporting of the Board’s efforts to employ emerging fund managers. Given that the Board has a duty to its stakeholders, the Committee believes that it would not be prudent to mandate any investment or hiring decisions in this regard, but believes that reporting will make it easier for data-driven decision-making that balances the Board’s fiduciary role with the need to ensure equity for those who benefit from doing business on behalf of the District.

The Committee Print for Bill 23-606 largely reflects the bill as introduced. First, it requires an annual report on the number of diverse fund managers – known as emerging fund managers – utilized by DCRB. As introduced, the threshold to be considered an emerging fund manager was less than \$10 billion in assets under management, and the fund manager being a “minority, a woman, or a disabled individual.” The Committee Print recommends adjusting the threshold to less than \$2 billion in assets under management. This dollar threshold is in line with DCRB’s current definition of an emerging manager and will encourage smaller companies that will have room to grow their assets under management. The definition is further refined to allow the Board to provide a definition of a minority-owned firm which must be reported in the annual report. Second, as introduced, the bill would have required an annual stand-alone report. Instead the Committee Print would make the emerging managers a required component of DCRB’s annual report to make the data more accessible and easier to report for DCRB. Third, the Committee Print collapses two other stand-alone DCRB reports on divestment from Sudan and the Government of Iran using the same reasoning that they make more sense as part of the annual report.

The Committee of the Whole recommends approval of Bill 23-606 the “Diverse Fund Managers and Reporting Requirements Amendment Act of 2020” as amended in the committee print.

## II. LEGISLATIVE CHRONOLOGY

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<sup>2</sup> JENNA WEINBERG & SIMON GREER, FIDUCIARY GUIDE TO INVESTING WITH DIVERSE ASSET MANAGERS AND FIRMS 9-10, Diverse Asset Managers Initiative (DAMI) (2017).

- January 7, 2020 Bill 23-606, the “Diverse Fund Managers and Reporting Requirements Amendment Act of 2020” is introduced at a legislative meeting by Councilmembers McDuffie with co-introducers Councilmembers Allen, Bonds, Cheh, Grosso, Nadeau, Silverman, Todd, and R. White, and is referred to the Committee of the Whole.
- January 10, 2020 Notice of Intent to Act on Bill 23-606 is published in the *Register*.
- January 24, 2020 Notice of a Public Hearing on Bill 23-606 is published in the *Register*.
- February 27, 2020 A Public Hearing is held on Bill 23-606 by the Committee of the Whole.
- September 22, 2020 The Committee of the Whole marks up Bill 23-606.

### III. POSITION OF THE EXECUTIVE

Mary Mustard, Investment Consultation, Maketa Investment Group, testified on behalf of the District of Columbia Retirement Board on the issue of emerging fund managers and stated that Maketa already has established programs to promote diversity in fund management and described the process for identifying fund managers. Sheila Morgan-Johnson, Executive Director, District of Columbia Retirement Board, stated that the Board supports Bill 23-606 and provided suggestions on how to strengthen the bill.

### IV. COMMENTS OF ADVISORY NEIGHBORHOOD COMMISSIONS

The Committee received no testimony or comments from any Advisory Neighborhood Commission on Bill 23-606.

### V. SUMMARY OF TESTIMONY

The Committee of the Whole held a Public Hearing on Bill 23-606, the “Diverse Fund Managers and Reporting Requirements Amendment Act of 2020” on October 30, 2019. The testimony summarized below is from that hearing. Copies of testimony are attached to this report.

**Robert L. Greene, President and CEO, National Association of Investment Companies** testified in support of Bill 23-606. He spoke the benefits of diversity in fund managers for both the managers themselves, and for the investment funds that fared well with diverse managers.

**Keith Beverly, Managing Partner, 202 Partners,** testified in support of Bill 23-606. He described his experience as an investment professional that was raised and learned in the District.

**Mary Mustard, Principal and Consultant, Meketa Investment Group (Representing DCRB)**, testified about the background of Meketa’s efforts to promote diverse fund managers and its work for the DCRB.

**Gary Hankins, Chairman, District of Columbia Retirement Board**, testified that the Board supports Bill 23-606.

**Sheila Morgan-Johnson, Executive Director, District of Columbia Retirement Board**, testified that the Board supports Bill 23-606 and provided additional suggestions on strengthening the bill and streamlining reporting requirements for the bill and other reports.

## VI. IMPACT ON EXISTING LAW

Bill 23-606 amends Section 5 of the Prohibition of the Investment of Public Funds in Certain Companies Doing Business with the Government of Sudan Act of 2007, effective February 2, 2009 (D.C. Law 17-106; D.C. Official Code § 1-335.04) and Section 104 of the Prohibition of the Investment of Public Funds in Certain Companies Doing Business with the Government of Iran and Sudan Divestment Conformity Act of 2008, effective March 21, 2009 (D.C. Law 17-337; D.C. Official Code § 1-336.04) to make each law’s annual reporting requirement part of the Board’s annual report. It also amends The Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998, effective September 18, 1998 (D.C. Law 12-152; D.C. Official Code § 1-901.01 *et seq.*) to create a definition for “emerging fund manager” and requirements for reporting on utilization of emerging fund managers in the Board’s annual report.

## VII. FISCAL IMPACT

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the provisions of the proposed legislation. A copy of the December 16, 2019 Fiscal Impact Statement is attached to this report.

## VIII. SECTION-BY-SECTION ANALYSIS

<u>Section 1</u>	States the short title of the Bill 23-606.
<u>Section 2</u>	Amends reporting requirements with regard to investment in Sudan.
<u>Section 3</u>	Amends reporting requirements with regard to investment in Iran.
<u>Section 4</u>	Makes conforming reporting changes and adds a new reporting requirement with regard to emerging fund managers
<u>Section 5</u>	Adopts the Fiscal Impact Statement.
<u>Section 6</u>	Establishes the effective date by stating the standard 30-day congressional review language.

## **IX. COMMITTEE ACTION**

## **X. ATTACHMENTS**

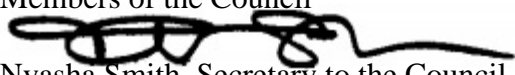
1. Bill 23-606 as introduced.
2. Written testimony and comments.
3. Fiscal Impact Statement.
4. Legal Sufficiency Review.
5. Comparative Print for Bill 23-606.
6. Committee Print for Bill 23-606.

**COUNCIL OF THE DISTRICT OF COLUMBIA**  
**1350 Pennsylvania Avenue, N.W.**  
**Washington D.C. 20004**

Memorandum

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To : Members of the Council

From :   
Nyasha Smith, Secretary to the Council

Date : January 07, 2020

Subject : Referral of Proposed Legislation

Notice is given that the attached proposed legislation was introduced in the Legislative Meeting on Tuesday, January 7, 2020. Copies are available in Room 10, the Legislative Services Division.

TITLE: "Diversity in Fund Management Amendment Act of 2020", B23-0606

INTRODUCED BY: Councilmembers McDuffie, Cheh, Bonds, R. White, Allen, Grosso, Todd, Silverman, Nadeau, and T. White

CO-SPONSORED BY: Councilmember Gray

The Chairman is referring this legislation to the Committee of the Whole.

Attachment

cc: General Counsel  
Budget Director  
Legislative Services

1 


2 Councilmember David Grosso

3 

4 Councilmember Brandon T. Todd

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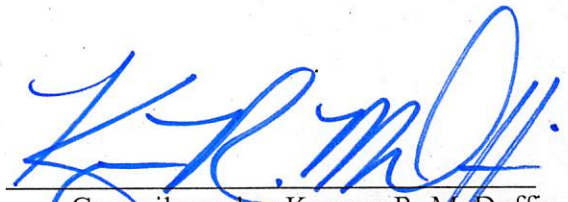
6 Councilmember Elissa Silverman

7 

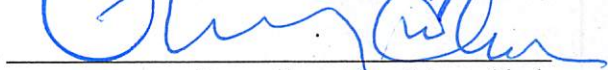
8 Councilmember Brianne K. Nadeau

9 

10 Councilmember Trayon White, Sr.

11 

12 Councilmember Kenyan R. McDuffie

13 

14 Councilmember Mary Cheh

15 

16 Councilmember Anita Bonds

17 

18 Councilmember Robert C. White, Jr.

19 

20 Councilmember Charles Allen

21 A BILL

22 IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

23 To amend the Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement  
24 Plan Act of 1998 to require the District of Columbia Retirement Board to report  
25 annually on the affirmative steps it has taken to hire diverse fund managers.

26 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this  
27 act may be cited as the "Diversity in Fund Management Amendment Act of 2020".

28 Sec. 2. Police Officers, Fire Fighters, and Teachers Retirement Benefit

29 Replacement Plan Act of 1998, effective September 18, 1998 (D.C. Law 12-152; D.C. Official  
30 Code § 1-901.02) is amended as follows:

31 (a) Section 101 (D.C. Official Code 1-901.02) is amended as follows:

32 (1) A new paragraph (2B) is added to read as follows:

33 "(2B) "Emerging manager" means an asset management firm whose assets under  
34 management do not exceed \$10 billion, and is owned by a minority, a woman, or a disabled  
35 individual."

36 (b) Section 146 (D.C. Official Code § 1-909.04) is amended by adding a new subsection  
37 (a-1)(1) to read as follows:

38 “(a-1)(1) Beginning January 1, 2021, the Retirement Board shall furnish to the  
39 Mayor and the Council a publicly-available annual report on the methods and results of the  
40 Retirement Board’s good faith efforts to hire qualified emerging managers.

41 “(2) The report shall include data disaggregated by race, ethnicity, gender,  
42 disability, and fund size.”.

43 Sec. 3. Fiscal impact statement.

44 The Council adopts the fiscal impact statement in the committee report as the fiscal  
45 impact statement required by section 4a of the General Legislative Procedures Act of 1975,  
46 approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

47 Sec. 4. Effective date.

48 This act shall take effect following approval by the Mayor (or in the event of veto by the  
49 Mayor, action by the Council to override the veto), a 30-day period of congressional review as  
50 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December  
51 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of  
52 Columbia Register.





**The hearing on  
the Diversity in Fund Management  
Amendment Act of 2020**

**Testimony of**

**Mary Mustard, CFA  
Principal, Consultant  
Meketa Investment Group**

**Before the**

**Honorable Phil Mendelson, Chairman  
Committee of the Whole  
Council of the District of Columbia**

**John A. Wilson Building  
1350 Pennsylvania Avenue, NW  
Room 412  
Washington, DC 20004**

**February 27, 2020**

## **OPENING REMARKS**

Good afternoon, Chairman Mendelson and members of the Council of the District of Columbia Committee of the Whole. I am Mary Mustard, Principal and Consultant with Meketa Investment Group, the District of Columbia Retirement Board's (DCRB) investment consultant. I am testifying regarding DCRB's good faith efforts to hire qualified emerging managers, as defined and required by the Diversity in Fund Management Amendment Act of 2020.

With me today to also respond to the Committee's questions is Sheila Morgan-Johnson, Executive Director of the District of Columbia Retirement Board.

## **BACKGROUND ON MEKETA AND DCRB RELATIONSHIP**

To share a little about myself, I am in my tenth year at Meketa Investment Group. My primary role is working with clients, including large public plans, on developing and implementing asset allocation policies, selecting and monitoring managers, and fund governance. I also sit on our Emerging and Diverse Investment Manager Committee and our ESG Committee.

Meketa Investment Group has over 40 years of investment consulting experience. Currently, we consult on over \$1.4 trillion on behalf of over 210 clients. We are independently owned by 60 active employee-shareholders, including myself. We have been working with public plans since 1998.

Meketa has worked with the District of Columbia Retirement Board as the general consultant since June 2010. In August 2016, Meketa was retained as the private markets consultant advising the Board on private equity and real asset investments. Over our tenure with the Board, we have worked closely with the Investment Team and Board to develop and implement an investment policy that would help the Fund achieve its objectives of achieving the actuarial rate of return of 6.5% while maintaining a funded status of 100%.

## **BACKGROUND: WHERE THE FUND HAS BEEN**

DCRB has a long history in the area of minority participation and initially implemented a Farm Team Program in 1986, which targeted the inclusion of investment management firms substantially owned and controlled by women and/or minority business enterprises.

In 2002, DCRB formed the Emerging Manager Program to replace the Farm Team Program. Farm Team managers were eligible to participate in the Emerging Manager Program if two program requirements were met: A verifiable track record, and \$2 billion or less in total assets under management.

In 2005, DCRB engaged EACM Advisors to build an Emerging Manager-of-Manager public equity program with a focus on U.S. strategies.

In 2011, after Meketa started our work, we reviewed the existing portfolio and presented an Implementation Plan that restructured the public market manager roster. The most significant change to the portfolio was a philosophical shift. In efficient asset classes, where it is less likely that active investment managers will outperform market indices, the Board predominantly relies on passive (index) funds managed by large financial institutions. These firms have scale and offer the lowest cost to gain exposure in contrast to higher cost active mandates. This approach resulted in the termination of many active manager mandates, including EACM Advisors, where market exposure would have been duplicative and/or performance lagged its benchmarks.

## **WHERE THE FUND IS NOW**

The Fund is currently 105.5% funded (as of October 2019). In 2019, the Fund returned 16.8%, net of fees. Since inception, it has gained 8.7%, outperforming the actuarial assumed rate by 2.2%, per year.

Today, the Fund is invested approximately 83% in public markets and 17% in private markets. Passive funds currently make up approximately 75% of the public markets investment program. These funds are managed by BlackRock, Northern Trust, and State Street. The remaining 25% of the program is invested in active investment strategies, which seek to outperform their benchmarks through active management decisions. These investments are generally managed by independent investment management firms.

DCRB's Investment Team has worked with Meketa to proactively identify and invest with institutional-quality investment managers that have demonstrated a commitment and willingness to embrace diversity and inclusion. The Investment Team leverages Meketa's direct sourcing approach across asset classes.

We take many steps to expand our network of emerging and diverse managers and more importantly, get client assets invested with them. As of the end of 2019, based on available client information, Meketa clients had approximately \$27 billion invested in over 60 emerging and diverse managers across public and private markets. In 2019, minority and women owned firms were included as finalists in approximately 30% of all searches. Over the last three years, clients made new investments of almost \$3 billion to diverse firms.

Meketa has an Emerging and Diverse Manager Investment Committee that aims to expand our clients' exposure to both small and diverse firms. We track the number of emerging and diverse managers we meet with each year and include in our database. Currently, we have over 300 public market emerging and diverse firms in our database and over 250 private market managers. Over the past five years, this has more than doubled.

We speak regularly at conferences and attend industry events in an effort to expand our knowledge of the manager universe. In addition, we host Research Days across our various offices to ensure the broadest coverage of emerging and diverse managers in all asset classes.

Meketa has worked closely with many clients to develop and implement or improve emerging and diverse manager programs.

As you are no doubt aware, the underrepresentation of women and minority-owned investment firms is an issue that impacts the entire asset management industry, and not solely DCRB. As a frame of reference, a 2019 study from Bella Research Group and the James S. and John L. Knight Foundation examined the participation rates of women and minority-owned firms. The study measured that only 1.3% of the industry's \$69 trillion assets under management were managed by firms owned by women and minorities and 8.6% of the industry's total number of firms in 2017 had substantial (25% to 49%) or majority (50% or higher) women or minority ownership.

#### *Public Markets*

As of December 31, 2019, 11% of DCRB's public market portfolio was managed by five firms with diverse ownership of 20% or higher. When you consider only active public market strategies, 50% of those assets are managed by firms with diverse ownership.

In addition, women, minorities, disabled persons, and veterans comprise a material portion of leadership positions for all three passive (index) managers: Blackrock (28% of senior leaders and Board of Directors are female), Northern Trust (41% of senior executives are minorities/females), and State Street (41% of executives/managers are female).

#### *Private Markets*

DCRB has a direct private markets program of funds spanning many vintage years and investment strategies, including private equity, real estate, and real assets. Currently, there are nine emerging and diverse investment managers in the private markets portfolio, representing a total of \$290 million in committed capital. There is an additional \$75 million in committed capital that is currently pending. Commitments to emerging and diverse firms make up about 26% of total capital commitments since 2017.

### **TOMORROW AND BEYOND: WHERE WE ARE GOING**

Meketa and the Investment Team will continue to evaluate emerging and diverse manager opportunities when public market manager searches are completed and as part of the annual commitment budget for private market managers.

In addition, in 2020, the Board will implement a new Emerging/Diverse Manager Program within the private market's portfolio. This program will target emerging and diverse firms including those owned by disabled persons and veterans. Currently Meketa and the Investment Team are finalizing the search criteria and will be evaluating options over the summer with a recommendation to the Board in the fall. The anticipated commitment size is a total of \$300 million over a five-year period, targeting 2 to 4 commitments per year. This program alone may more than double the number of emerging and diverse managers in the private markets portfolio.

To reiterate, both Meketa Investment Group and the Board are committed to investing with managers that have demonstrated a commitment and willingness to embrace diversity and inclusion. I thank you for your time today. I am happy to answer any questions you may have.



301.233.7903

keith@grid202partners.com

20 F Street, NW, 7th Floor

Washington, DC 20001

Chairman Mendelson and members of the committee, my name is Keith Beverly. I am the Managing Partner and Chief Investment Officer of GRID 202 Partners, a diverse and woman owned Registered Investment Advisor (RIA) firm based here in Washington, D.C. I come today to express my support for [B23-606](#), “Diversity in Fund Management Amendment Act of 2020.” It is my firm belief its adoption will result in improved risk-adjusted performance of DCRB assets thus better serving Plan members.

In addition to being an investment professional, I am also a 4th generation Washingtonian and proud product of D.C. public schools. My mother taught in D.C. public schools for 37 years before retiring in 2008. Her direct deposits from her pension hit her account on the 1<sup>st</sup> of each month.

When I was a student at John Burroughs Elementary school in the late 80’s and early 90’s I vividly remember Officer Friendly and the Side By Side band performing and playing with us as kids. I remember finding comfort in the fact that officers who looked like me were in my neighborhood doing their best to keep us safe.

My cousin is a lifelong resident of Ward 8 and a firefighter for the city. He plans to fulfill his 25 years of service to meet the pension eligibility requirements, and then transition to an encore career as he begins to draw from his well-earned pension. We’ve discussed him investing his pension payouts and more aggressively building generational wealth during those intervening years, before he ultimately leaves the workforce.

I have been in the investment management industry for nearly 20 years and know the role public pension plans such as DCRB have played in the emergence and sustained growth of diverse-owned investment management firms. We would not see the large diverse owned investment firms that exist today, if not for several plans being intentional and systematic about expanding their search criteria in the 1980s.

When it comes to making the case for greater racial and gender diversity, the empirical data is unequivocal. Groups that are more diverse along racial and gender lines perform better, or at minimum on par with non-diverse groups.

Corporations in the top quartile for ethnic and gender diversity are [33% and 21%](#) more likely, respectively, to achieve above-average profits than firms in the bottom quartile.

Despite diversely-owned firms managing only [1% of the \\$69](#) trillion managed globally, there is no statistical difference between their performance and the rest of the industry. We also have extensive data from the National Association of Investment Companies that demonstrates that diverse-owned private equity funds have achieved excess internal rates of returns of [5% relative](#) to the peer benchmark.

As you work to provide enhanced reporting standards around your efforts to hire diverse managers, there is fortunately an emerging body of best practices you can build on. In fact, 26 states have legislated commitments to emerging and/or diverse managers. Our neighbors next door in Maryland, for instance, have consistently reported above 20% of assets managed by diversely-owned firms as of the end of 2018.

Many foundations have also placed a strong emphasis on being more inclusive with their investment managers. Perhaps most notably, the [Knight Foundation](#) embarked on a program in 2010 to expand their allocation to diverse managers from 1% of total assets in 2010 or \$7.5 million. Today more than 38% of foundation assets today or approximately \$805 million are managed by diverse managers.

When the Diversity in Fund Management Act is passed, I will take comfort in knowing that my mother along with her fellow retired teachers and the Officer Friendlies of the city and firefighters like my cousin will see firsthand how much of their livelihood is in the hands of individuals with whom they share a common history. And in an environment where outsized returns are increasingly difficult to obtain, it is also reassuring to know that those serving in a fiduciary capacity over DCRB assets are taking measures to ensure astute, outperforming managers do not go overlooked.

Thank you for your time today and leadership on this important issue.

Sincerely,

Keith Beverly, CFA, CFP®, MBA

General Partner and Chief Investment Officer

GRID 202 Partners

DC. OFFICIAL CODE, TITLE I, GOVERNMENT ORGANIZATION

CHAPTER 3. SPECIFIED GOVERNMENTAL AUTHORITY  
SUBCHAPTER XVI. DIVESTMENT, PROHIBITION ON INVESTMENT OF CERTAIN PUBLIC FUNDS

PART A. SUDAN

\* \* \*

D.C. OFFICIAL CODE § 1-335.04. REPORTING.

~~(a) The Public Fund shall transmit a publicly available report to the Council and the Mayor that includes the Scrutinized Companies List within 30 days after the list is created.~~

(b) Annually thereafter, the Public Fund shall ~~transmit a publicly available report to the Council and the Mayor and send a copy of the report to the United States Presidential Special Envoy to Sudan (or an appropriate designee or successor) that includes report as part of the annual report required under section 142(b)(13) of the Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998, effective September 18, 1998 (D.C. Law 12-152; D.C. Official Code § 1-909.02(b)(13)), the following:~~

\* \* \*

PART B. GOVERNMENT OF IRAN

\* \* \*

D.C. OFFICIAL CODE § 1-336.04. REPORTING.

~~(a) The public fund shall send a report to each member of the District of Columbia Retirement Board, the Council, and the Mayor that includes the Scrutinized Companies with Activities in the Iran Petroleum Energy Sector List within 30 days after the list is created. The report shall be made available to the public.~~

(b) Annually thereafter, the public fund shall ~~send a publicly available report to the Council and the Mayor that includes report as part of the annual report required under section 142(b)(14) of the Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998, effective September 18, 1998 (D.C. Law 12-152; D.C. Official Code § 1-909.02(b)(14)), the following:~~



CHAPTER 9. POLICE OFFICERS, FIRE FIGHTERS, AND TEACHERS  
RETIREMENT BENEFIT REPLACEMENT PLAN

D.C. OFFICIAL CODE § 1-901.02. DEFINITIONS.

\* \* \*

**(2B) “Diverse emerging fund manager” means an asset management firm with:**

**(A) Total assets under management that do not exceed \$2 billion (subject to annual adjustment based on inflation and industry growth rates); and**

**(B) Substantial diversity among its senior leadership or firm ownership, as determined by the Retirement Board.”.**

\* \* \*

D.C. OFFICIAL CODE § 1-909.02. ANNUAL REPORT.

\* \* \*

(b) The annual report shall include the following information:

\* \* \*

(11) A schedule of the rates of return, net of total investment expense, on assets of the system overall and on assets aggregated by category over the most recent 1-year, 3-year, 5-year, and 10-year periods, to the extent available, and the rates of return on appropriate benchmarks for assets of the system overall and for each category over each period; ~~and~~

(12) A schedule of the sum of total investment expenses and total general administrative expense for the fiscal year expressed as a percentage of the fair market value of assets of the Funds on the last day of the fiscal year;

**(13) The report on divestment and holdings with regard to the Government of Sudan pursuant to section 5 of the Prohibition of the Investment of Public Funds in Certain Companies Doing Business with the Government of Sudan Act of 2007, effective February 2, 2009 (D.C. Law 17-106; D.C. Official Code § 1-335.04);**

**(14) The report on divestment and holdings with regard to the Government of Iran pursuant to section 104 of the Prohibition of the Investment of Public Funds in Certain Companies Doing Business with the Government of Iran and Sudan Divestment Conformity Act of 2008, effective March 21, 2009 (D.C. Law 17-337; D.C. Official Code § 1-336.04); and**

**“(15) A report of methods and results of the Retirement Board’s efforts to utilize diverse emerging fund managers, including data by race, gender, and fund size, and the Retirement Board’s criteria for determining whether an entity qualifies as a diverse emerging fund manager.**

1 **DRAFT COMMITTEE PRINT**  
2 **Committee of the Whole**  
3 **September 22, 2020**  
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5  
6 A BILL  
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8  
9 23-606  
10

11  
12 IN THE COUNCIL OF THE DISTRICT OF COLUMBIA  
13  
14 \_\_\_\_\_  
15

16  
17 To require the District of Columbia Retirement Board to report annually on the affirmative steps  
18 it has taken to hire diverse and emerging fund managers, and to consolidate reporting  
19 requirements for investments in Iran and Sudan.  
20

21 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this  
22 act may be cited as the “Diverse Emerging Fund Managers and Reporting Requirements  
23 Amendment Act of 2020”.

24 Sec. 2. Section 5 of the Prohibition of the Investment of Public Funds in Certain  
25 Companies Doing Business with the Government of Sudan Act of 2007, effective February 2,  
26 2008 (D.C. Law 17-106; D.C. Official Code § 1-335.04), is amended as follows:

27 (a) Subsection (a) is repealed.

28 (b) Subsection (b) is amended by striking the phrase “transmit a publicly-available report  
29 to the Council and the Mayor and send a copy of the report to the United States Presidential  
30 Special Envoy to Sudan (or an appropriate designee or successor) that includes:” and inserting  
31 the phrase “report as part of the annual report required under section 142(b)(13) of the Police  
32 Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998,  
33 effective September 18, 1998 (D.C. Law 12-152; D.C. Official Code § 1-909.02(b)(13)), the  
34 following:” in its place.

35           Sec. 3. Section 104 of the Prohibition of the Investment of Public Funds in Certain  
36 Companies Doing Business with the Government of Iran and Sudan Divestment Conformity Act  
37 of 2008, effective March 21, 2009 (D.C. Law 17-337; D.C. Official Code § 1-336.04), is  
38 amended as follows:

39           (a) Subsection (a) is repealed.

40           (b) Subsection (b) is amended by striking the phrase “send a publicly available report to  
41 the Council and the Mayor that includes:” and inserting the phrase “report as part of the annual  
42 report required under section 142(b)(14) of the Police Officers, Fire Fighters, and Teachers  
43 Retirement Benefit Replacement Plan Act of 1998, effective September 18, 1998 (D.C. Law 12-  
44 152; D.C. Official Code § 1-909.02(b)(14)), the following:” in its place.

45           Sec. 4. The Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement  
46 Plan Act of 1998, effective September 18, 1998 (D.C. Law 12-152; D.C. Official Code § 1-  
47 901.01 *et seq.*) is amended as follows:

48           (a) Section 102 (D.C. Official Code § 1-901.02) is amended by adding a new paragraph  
49 (2B) to read as follows:

50                   “(2B) “Diverse emerging fund manager” means an asset management firm with:

51                           “(A) Total assets under management that do not exceed \$2 billion (subject  
52 to annual adjustment based on inflation and industry growth rates); and

53                           “(B) Substantial diversity among its senior leadership or firm ownership,  
54 as determined by the Retirement Board.”.

55           (b) Section 142(b) (D.C. Official Code § 1-909.02(b)) is amended as follows:

56                   (1) Paragraph (11) is amended by striking the phrase “; and” and inserting a  
57 semicolon in its place.

58                   (2) Paragraph (12) is amended by striking the phrase “of the fiscal year.” and  
59 inserting the phrase “of the fiscal year;” in its place.

60 (3) New paragraphs (13), (14), and (15) are added to read as follows:

61 “(13) The report on divestment and holdings with regard to the Government of  
62 Sudan pursuant to section 5 of the Prohibition of the Investment of Public Funds in Certain  
63 Companies Doing Business with the Government of Sudan Act of 2007, effective February 2,  
64 2009 (D.C. Law 17-106; D.C. Official Code § 1-335.04);

65 “(14) The report on divestment and holdings with regard to the Government of  
66 Iran pursuant to section 104 of the Prohibition of the Investment of Public Funds in Certain  
67 Companies Doing Business with the Government of Iran and Sudan Divestment Conformity Act  
68 of 2008, effective March 21, 2009 (D.C. Law 17-337; D.C. Official Code § 1-336.04); and

69 “(15) A report of methods and results of the Retirement Board’s efforts to utilize  
70 diverse emerging fund managers, including data by race, gender, and fund size, and the  
71 Retirement Board’s criteria for determining whether an entity qualifies as a diverse emerging  
72 fund manager.”.

73 Sec. 5. Fiscal impact statement.

74 The Council adopts the fiscal impact statement in the committee report as the fiscal  
75 impact statement required by section 4a of the General Legislative Procedures Act of 1975,  
76 approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

77 Sec. 6. Effective date.

78 This act shall take effect following approval by the Mayor (or in the event of veto by the  
79 Mayor, action by the Council to override the veto), a 30-day period of congressional review as  
80 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December  
81 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of  
82 Columbia Register.