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Steve Juarez, Associate Vice President and Director

April 24, 2015

The Honorable Carol Liu  
Chair, Senate Education Committee  
State Capitol, Room 5097  
Sacramento, CA 95814

**RE: SB 574 (Pan), as amended April 22, 2015**  
**Scheduled for hearing April 29, 2015 in the Senate Education Committee**  
**Position: OPPOSE**

Dear Senator Liu,

The University of California (UC) has reviewed SB 574 which would require that the University obtain certain detailed information, as described in the California Public Records Act (PRA), about alternative investments. Respectfully, UC must oppose SB 574 because it singles out the University and, as a matter of public policy, would inappropriately mandate internal business processes that would require the University to obtain information it may neither need nor use. Moreover, UC believes this bill will create a strong possibility that the University would become embroiled in expensive litigation to obtain noncritical investment information sought by the sponsors of this bill.

The University of California's role in transforming the State of California into an economic and innovation powerhouse cannot be overstated. UC is a magnet for talented, passionate people, and their discoveries and inventions touch lives around the world every day. What few realize, however, is that behind UC's renowned teaching, research, and public service mission is an investment portfolio that is critical to our success.

Although Section 6254.26 of the Government Code clearly requires all public investment funds to make available information regarding their alternative investments, SB 574 only applies to investments made by the University of California. As a matter of public policy, UC questions why the bill should apply to only one public institution and not to every other public investment fund making such investments. In effect, UC would be required to obtain the information in GC Section 6254.26, while permitting all other investment funds to ignore the requirement in the bill. This seems neither fair nor appropriate.

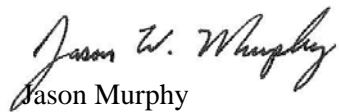
Specifically, SB 574 seeks to require the University to obtain specific records for each alternative investment in which the University provides or has provided, funds for investment **regardless of whether UC actually possesses or uses these detailed records**. UC's Private Equity, or alternative investment, portfolio is reviewed in its entirety and as part of the total equity portfolio. Moreover, Private Equity partnerships are 10- to 13-year investments, and the only relevant return measure is the amount returned at the end of the partnership compared to the capital invested. We do receive information from these funds annually at the firm level, which provides UC and the public with the necessary information to gauge overall performance for the firm under contract. This has been the basis for investment decisions in the Private Equity asset class, and this long-term horizon has produced exceptional returns.

Trying to usurp this by forcing the University to obtain information that is not critical to its investment decisions is illogical and could result in the University being prohibited from participating in certain types of investments. The central purpose of investing UC's pension and endowment funds is to maximize the benefits available to our retirees, students and faculty while managing risk. SB 574 will ultimately require the University to decline valuable investment opportunities when, in the judgment of investment professionals, the information required by the bill is not needed. Moreover, by requiring that the University seek information not already required under law, the University could be exposed to expensive litigation by being forced to secure information outside our current contracts.

UC makes every effort to be transparent and accountable, and to ensure that the investments it makes add significant value to the University. Its investments provide substantial benefits to UC's stakeholders — who encompass more than half a million students, employees, and retirees. As such the University already makes public, via its website, a variety of annual, quarterly, and other reports detailing investment performance, investment goals and overarching strategy and the information is discussed during numerous open meetings of the Board of Regents' Investment Committee. SB 574 adds an unnecessary requirement that will not provide the public with any additional useful information about UC's investments and will only serve to negatively affect UC's overall financial position.

As always, the University appreciates your consideration of our views. Should you have any questions about the University's opposition of SB 574, please do not hesitate to contact me at (916) 445-9924.

Sincerely,

  
Jason Murphy  
Legislative Director

cc: Senator Richard Pan  
Vice Chair and Members Senate Education Committee  
President Janet Napolitano  
Provost and Executive Vice President Aimée Dorr  
Executive Vice President & CFO Nathan Brostrom  
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