

**Date:** March 13, 2018

**To:** PCA's California-based Clients

**From:** Pension Consulting Alliance, LLC (PCA)

**RE: CLIENT ALERT – Proposed Amendments to California Tax Regulations May Impact California's Pension Funds**

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PCA would like to make its California pension plan clients aware of potential amendments to market sourcing regulations by the California Franchise Tax Board (FTB).<sup>1</sup> Such proposed regulations could impact out-of-state service providers, such as asset managers and other entities with whom California clients do business.

The amendments (as part of CCR 25136-2), if enacted into law, would increase the cost for certain service providers of doing business in California, and such costs may be passed on to the pension systems.

The current version of 25136-2 does not specifically address how asset manager fees should be sourced. We note that the FTB's next public meeting is on April 12, 2018. We believe, but cannot confirm, that preliminary discussions of the proposed revisions to 25136-2 may occur at this meeting.

Given the potential ramifications of this proposal, PCA is encouraging its California clients to have a discussion with their tax and legal advisors about the potential impact, if any, of these provisions. In addition, we encourage PCA's California clients to discuss this matter with their peers within the State.

Should you have additional questions, please feel free to reach out to your PCA consultant, and we will be happy to discuss in further detail.

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<sup>1</sup> One source highlighting this proposal was the January 19, 2018 CALAPRS Investment Officers Roundtable.

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