PENSION CONSULTING ALLIANCE RCP PEER SURVEY REPORT
POWERPOINT
EXECUTIVE SUMMARY

CalPERS

December 2014
Background on RCP Survey of CalPERS Peers

• On behalf of CalPERS, PCA conducted a survey on the Responsible Contractor Policies ("RCP") of 11 CalPERS peers, defined as the 11 largest U.S. public defined benefit pension plans after CalPERS, based on Total Assets Under Management ("AUM"), ranging from $77 billion to $181 billion AUM

• The purpose of the survey was to compare CalPERS’ RCP to peer policies and analyze key similarities and differences

• RCP is still far from mainstream. The survey found only four CalPERS peers have an RCP Policy. Seven peers have no RCP Policy. PCA is aware of four other non-peer U.S. public defined benefit plans with an RCP Policy

• All analyses and comparisons in this report are based on the four CalPERS peer pension systems

• PCA conducted a similar survey at CalPERS’ request in 2011, finding other plans’ RCP generally consistent with CalPERS; and CalPERS RCP more rigorous in some areas
# U.S. Public Pension Plans Surveyed

<table>
<thead>
<tr>
<th>Name of Pension Plan</th>
<th>Plan Acronym</th>
<th>AUM ($billions) 12.31.2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalPERS Peers – Largest U.S. Public Pension Plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>California State Teachers’ Retirement System</td>
<td>CalSTRS</td>
<td>$181</td>
</tr>
<tr>
<td>New York State Common Retirement Fund</td>
<td>NYCRF</td>
<td>173</td>
</tr>
<tr>
<td>Florida State Board of Administration</td>
<td>SBAFLA</td>
<td>143</td>
</tr>
<tr>
<td>New York City Employees’ Retirement System</td>
<td>NYCERS</td>
<td>138</td>
</tr>
<tr>
<td>Teachers’ Retirement System of Texas</td>
<td>TRS</td>
<td>120</td>
</tr>
<tr>
<td>New York State Teachers’ Retirement System</td>
<td>NYSTRS</td>
<td>103</td>
</tr>
<tr>
<td>Wisconsin Retirement System</td>
<td>WRS</td>
<td>101</td>
</tr>
<tr>
<td>Washington State Investment Board</td>
<td>WSIB</td>
<td>98</td>
</tr>
<tr>
<td>Ohio Public Employees’ Retirement System</td>
<td>OPERS</td>
<td>89</td>
</tr>
<tr>
<td>North Carolina Retirement Systems</td>
<td>NCRS</td>
<td>83</td>
</tr>
<tr>
<td>New Jersey Public Employees’ Retirement System</td>
<td>NJPERS</td>
<td>77</td>
</tr>
</tbody>
</table>

This report preserves the anonymity of individual plan responses.
Executive Summary
• CalPERS launched RCP before peers; the CalPERS RCP Policy is more comprehensive than its peers.
## Executive Summary

### RCP Peer Similarities with CalPERS

<table>
<thead>
<tr>
<th>Criterion</th>
<th>CalPERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duty of Loyalty, Prudence &amp; Competitive Returns</td>
<td>4</td>
</tr>
<tr>
<td>Covers Contractors and Subcontractors in Services and Construction</td>
<td>4</td>
</tr>
<tr>
<td>Fair Wages and Benefits based on local markets</td>
<td>4</td>
</tr>
<tr>
<td>Self certification of compliance; Investigations based on complaints</td>
<td>4</td>
</tr>
</tbody>
</table>

- Peer RCPs share many similarities with CalPERS
CalPERS mandates RCP for 59% of its Real Estate portfolio, ($13 billion), a larger percent and dollar amount than any peer.

CalPERS’ ‘spirit language’ encourages RCP among all Real Estate and Infrastructure, similar to one peer; other peers encourage RCP but is not written in policy.

The percentage of assets covered depends in part on the Minimum Plan Ownership that is required. CalPERS requires more than 50% Minimum Plan Ownership; Plan C requires 100% Minimum Plan Ownership; Plans A, B and D have no Minimum Plan Ownership requirement.
CalPERS requires more than peers

- Covers both Real Estate and Infrastructure
- Requires Competitive Bidding for project contracts
- Requires notification of projects to Responsible Contractors prior to bid due dates

CalPERS

- ✓
- ✓
- ✓

• CalPERS requirements exceed most peers
Executive Summary

• CalPERS RCP more robust in some areas:
  – Requires that managers and contractors generally have more stringent and specific responsibilities than peers
  – Provides stronger RCP enforcement processes than most peers
  – Engages managers and labor on RCP more regularly than peers
  – Devotes more resources (staff, time, budget) to RCP than peers
Executive Summary

Peer Neutrality Clause

- **Plan itself must remain neutral**
  - 0
- **Manager and Contractor Neutrality**
  - **Neutrality is Strongly Encouraged**
    - 3
  - **Neutrality is Required**
    - 0
  - **Neutrality is not addressed**
    - 1

CalPERS

- **RCP & NTRCP**
  - ✔️
- **RCP**
  - ✔️
- **NTRCP**
  - ✔️

- CalPERS RCP and NTRCP state that the Plan itself must remain neutral
- CalPERS RCP strongly encourages neutrality for all, similar to most peers
- CalPERS NTRCP mandates neutrality in Core Real Estate, services contracts

CalPERS • Peer Survey: Responsible Contractor Policies