



February 25, 2015

Investment Committee
California Public Employees' Retirement System
Lincoln Plaza North, 400 Q Street
Sacramento, CA 95814

Dear Members of the Investment Committee:

In our capacity as Real Estate Consultant to the Board, Pension Consulting Alliance, Inc. ("PCA") reviewed the proposed revised language for the Responsible Contractor Program ("RCP") Policy and proposed disposition of the 2010 Neutrality Trial RCP ("NTRCP"). The proposed revisions:

- Incorporate the current NTRCP for Domestic Strategic Core Managers into the RCP Policy
- Launch a new NTRCP directed at Domestic Strategic non-core Managers and Infrastructure Managers
- Enhance and streamline the Responsible Contractor Certification such that it provides substantially more detail that managers may use to determine a contractor's status as a Responsible Contractor, including information concerning wages and benefits
- Add language to the Policy clarifying the role of General Contractors as Delegates
- Reference CalPERS Investment Beliefs
- Make the RCP Policy more accessible by adding a Table of Contents
- Leave intact the manager reporting requirements under the policy; reformat the requirements for substantive and detailed information on bidding and notification and clarify that this information is required annually for the Annual Report in Managers' Responsibilities (Because the Annual Report templates are updated annually, they are separate from the RCP Policy).

The current process of revision began in December 2013. The proposed revised policy was developed by staff in a highly collaborative, interactive team process that included board consultant, investment managers, labor representatives, and fiduciary counsel.

Based on our review of current and previous versions of the RCP Policy and other supporting documentation, PCA concurs with the proposed revised policy. PCA believes that the revisions strengthen the policy without risking adverse effects on CalPERS investment returns. In conjunction with the RCP policy review, PCA conducted a survey of CalPERS peers. The survey results indicate that CalPERS is a thought leader in the RCP policy arena.

Respectfully,

A handwritten signature in black ink, appearing to read "Allan Emkin".

Allan Emkin, Managing Director