



Investment Committee

Agenda Item 8d

November 16, 2020

Item Name: Responsible Contractor Policy Program Annual Report

Program: Board Governance & Sustainability

Item Type: Information

Executive Summary

This agenda item provides the required annual update on the Real Assets (RA) program's compliance with CalPERS' Responsible Contractor Program (RCP) Policy. For fiscal year 2019-20, 100% of qualifying contract payments were made under the Policy to certifying responsible contractors. Managers reported that implementing the Policy did not have an adverse material impact on CalPERS' investment returns.

Strategic Plan

This agenda item supports the CalPERS Strategic Plan goal to strengthen the long-term sustainability of the pension fund and cultivate risk-intelligent decisions.

Investment Beliefs

The Annual RCP Report supports CalPERS' Investment Belief 4 that long-term value creation requires the effective management of financial, physical, and human capital. The effective management of human capital increases the likelihood that companies will perform over the long-term and manage risk effectively. This agenda item also supports Investment Belief 3 in which CalPERS' investment decisions may reflect wider stakeholder views, provided they are consistent with our fiduciary duty to members and beneficiaries.

Background

CalPERS has a deep interest in the condition of workers employed by CalPERS and its managers and delegates. The RCP Policy supports fair wages and benefits based on local market conditions, subject to fiduciary principles. The RCP Policy applies to all domestic Real Estate and Infrastructure investment managers, joint ventures, and partnerships where:

- CalPERS has greater than 50% ownership interest
- The policy requirements are met
- Contract amount is \$100,000 or more

Analysis

Core, Non-Core, and Housing Program investment managers¹ paid 100% of their total qualifying contracts to certifying responsible contractors under the RCP Policy, totaling more than \$845.2 million dollars in FY 2019-20.

- All 16 managers that reported assets subject to the RCP Policy submitted Manager Responsibilities Reports providing information on RCP Policy implementation. Managers reported that the RCP Policy had no adverse material impact on CalPERS' investment returns.

Budget and Fiscal Impacts

Existing budgetary resources fund the ongoing costs for implementation, administration, and management of the RCP Policy for the CalPERS Investment Office.

Benefits and Risks

The design of this Policy is intended to require investment managers, and their delegates, to take prudent and careful action when selecting and employing contractors on RCP assets. The Policy helps CalPERS manage both human capital and reputational risk by supporting the use of responsible contractors. This Policy also helps manage costs through competitive bidding, which benefits CalPERS' long-term investment returns.

Attachments

Attachment 1 – Responsible Contractor Program Policy Annual Report Presentation

Attachment 2 – Investment Manager Compliance Report

Attachment 3 – RCP Bidding Notification Method and Contact Sheet

Anne Simpson
Interim Managing Investment Director
Board Governance & Sustainability

Dan Bienvenue
Interim Chief Investment Officer

¹ Under the RCP Policy, compliance for existing Housing Program managers is not mandatory, though strongly recommended. Housing Program managers have voluntarily submitted annual compliance reports.