



## **CALPERS REQUEST FOR INFORMATION**

### **2020 CalPERS' Sustainable Investment Research Initiative III: Climate Change**

#### **Overview**

CalPERS is issuing this Request for Information (RFI) to seek expressions of interest from qualified academic, practitioner and research groups to partner in commissioning research that will inform our strategy on sustainable investment. Research will be commissioned for potential selection and presentation at a 2021 symposium, organized and hosted in partnership with the selected party or parties, as well as potential publication and presentation to the CalPERS Board of Administration Investment Committee.

As an inter-generational, universal asset owner and fiduciary to its members, CalPERS grounds its sustainable investment strategy and investment decisions in research-based evidence, as it relates to the potential impact of environmental, social and governance (ESG) factors on long term value creation and effective management of multi-faceted risks in its investment portfolio.

CalPERS' fiduciary duty is to achieve risk-adjusted returns on employer and employee contributions, which provide 55 cents for every dollar of the retirement benefits which we administer for our nearly 2 million members. CalPERS is, by nature of its mission, a long-term investor focused on growth. However, CalPERS also faces short-term liabilities, with payments of \$25 billion in benefits each year. This dual objective is supported by a multi-asset class portfolio that includes both equity and debt instruments, deployed across public and private markets through internal strategies and external managers. CalPERS' total fund investment strategy is designed to meet our discount rate of 7%.

The purpose of commissioning the third phase of the [Sustainable Investment Research Initiative](#), to be known as **SIRI III**, is to seek further insight on the three pillars of CalPERS' investment strategy on **climate change**:

- **Advocacy** (Advocate that standard-setters and regulators set policies that support sustainable economic growth, including mandatory sustainability disclosure, carbon pricing and removal of fossil fuel subsidies)
- **Engagement** (Exercise our ownership rights to ensure alignment with the stewards of our capital)
- **Integration** (Enhance financial outcomes by including consideration of climate risk and opportunity)

#### **Context**

As of October 30, 2020, the CalPERS Public Employees Retirement Fund was valued at about \$403 billion, with the following amount managed by each asset class:

- Global Equity \$210 B
- Fixed Income \$112 B
- Real Assets \$44 B
- Private Equity \$27 B
- Other \$10 B

Approximately 80% of CalPERS' portfolio is invested in public markets with close to 95% of those assets managed internally. About 20% of CalPERS' portfolio is allocated in private markets and largely managed by external managers.



Through SIRI III we seek to identify and better understand the sustainability factors relevant to an inter-generational, universal owner, such as CalPERS. We are also looking to investigate how to best integrate these factors in the management of our portfolio, and thereby enhance our ability to meet our investment objectives, in accordance with our guiding [Investment Beliefs](#). Specifically, inter alia:

- Long term value creation relies upon the effective management of three forms of capital: financial, physical and human.
- Risk for CalPERS is multi-faceted and cannot be fully captured through traditional measures.
- Risk where taken must be deployed in an expectation that it will be rewarded.

Prior SIRI initiatives have informed CalPERS' current [5-year Total Fund Governance and Sustainability Strategic Plan](#) adopted in 2016, reflected thematic priorities and performance metrics highlighted in SIRI II. These include climate change and human capital management, identified as relevant to CalPERS' long-term sustainable performance and risk objectives. We expect SIRI III will inform our review of this strategic plan in mid- 2021.

## **Requested Services**

CalPERS seeks a qualified partner who can provide the following services in support of SIRI III:

- Development of a call for research papers
- Review and selection of papers for presentation at a symposium
- A hosted symposium for discussion of selected papers
- Editing of papers, for consideration of publication
- Facilitate a CalPERS Board Investment Committee Review of Evidence presentation.

Our main objective is to gather research-based insights, which contribute to the existing body of academic and practitioner literature, supporting climate-aware capital allocation across asset classes and geographies, at a scale and complexity appropriate for an institutional investor like CalPERS.

CalPERS' Investment Belief 6 states that *strategic asset allocation is the dominant determinant of portfolio risk and return*. Consequently, research with the potential to evolve key aspects of our strategic allocation process (including portfolio construction or benchmarking) by considering climate risk is of interest and importance.

Investment Belief 9 states that *Risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error*. Climate risk is recognized as one of the three most significant risks to CalPERS alongside achieving the target rate of return and employers' ability to pay their contributions. Climate risk management (measures of risk, mitigation strategies) is therefore an area of interest.

Finally, as a global investor, we are interested in a review sourcing insights and perspectives from the major markets represented in our portfolio, including but not limited to Asia, Europe, and North America.



**What is being requested: RFI 2020 Sustainable Investment Research Initiative III: Climate Change RESPONSE**

- **Respondent Certification**  
Interested respondents shall provide contact information by completing and submitting the below Respondent Certification.
- **CalPERS' Sustainable Investment Research Initiative III Questionnaire**  
We request respondents to review and provide feedback to the below CalPERS Sustainable Investment Research Initiative Questionnaire.

**RFI Review**

CalPERS' Board Governance & Sustainability team in partnership with our Research & Strategy Group's: Sustain group will review all responses to this RFI. Following this review staff will determine if a formal solicitation through a Request for Proposals (RFP) or sole source contract will be issued.

**CalPERS Contact Information**

Email: [SIRI@calpers.ca.gov](mailto:SIRI@calpers.ca.gov)

Respondents may email questions to CalPERS' Board Governance and Sustainability team, for the attention of Michael Silva, at the above email address.

*\*Please reference **RFI for CalPERS SIRI III: Climate Change** in the subject line of any email correspondence.*

Responses to this RFI, the Contracting Questionnaire and the Respondent Certification shall be sent to the same email above no later than **February 26, 2021, at 5:00 PM PST**.

***The responses to this RFI are not binding upon the parties. The responses provided will not give any preference for any future RFP, sole source or Focused Solicitation (should one be issued).***

**Confidentiality**

Please note that upon submission, all responses will become the property of CalPERS and will be regarded as public records and may be subject to public review to the extent provided in the California Public Records Act (Government Code section 6250 et. seq). If the respondent seeks to exempt certain pages or items from public inspection, the respondent should clearly mark them as "PROPRIETARY INFORMATION." CalPERS will use reasonable efforts to exempt such pages or items from public disclosure but makes no representations or warranties that such efforts will be successful. Please note that the entire response cannot be identified as proprietary information.



## CalPERS SIRI III: Climate Change Request for Information (RFI) Questionnaire

**Organization:**

### Instructions:

CalPERS would like to receive additional information about your organization and services. Your time and effort to provide a response to the following questions is greatly appreciated.

All answers to questions in this section must be entered within the spaces provided. Please provide a concise answer to each question, include an additional attachment as needed, yet refrain from attaching supplemental marketing materials.

### Questions:

1. Background on organization

Please provide an overview of your organization, including general history, ownership structure, practice areas, number of employees, plus number and types of clients or audience for your work.

2. Experience/qualifications

- a. Describe the scope and nature of your organization's experience with the issues in this RFI, such as commissioned analysis, peer review and publication of research on sustainable investment.

- b. Describe the scope and nature of your organization's experience working with asset owners on sustainable investments topics. Provide specific descriptions of the nature and approach to the work.

- c. Describe your organization's experience working in a research project/consulting capacity alongside clients.



- d. Describe the organization's expertise with climate change research and analysis (years of experience, client types, etc.)

- e. Describe any other relevant qualifications.

3. Approach

Describe how you would structure the work to assist CalPERS in conducting a commission of research on sustainable investments topics listed within the RFI. This includes developing a project plan to commission research, present findings at a symposium, potential publication and subsequent Board of Administration Investment Committee presentation. At a minimum, please comment on:

- i. Typical expected timeframe (calendar months)
- ii. Phasing, if any
- iii. Your proposed staffing (number and level of seniority)
- iv. Resources required from CalPERS
- v. Day to day project management model (noting teleworking as an alternative to onsite discussions, the number and nature of touch points, plans for steering the work)

4. Personnel

Provide background on proposed staff members on the project, including proposed time commitment and description of individual experience (same categories as point 1. above).

5. Research Specific:

Please share examples of published research that address any of the following areas of interest directly, or otherwise:

- a. Advocacy:
  - i. Analysis of carbon pricing regimes, including carbon taxes, cap-and-trade mechanisms and options for the use of proceeds.
  - ii. Research that sets out whether and how climate change poses systemic risk to financial markets.
  - iii. Examination of how monetary and fiscal policies can impact climate change in capital markets.



- iv. Consideration of the role of Nationally Determined Contributions (NDCs) to the Paris Agreement and alignment with carbon emission scenarios relevant to financial markets.
- v. A framework for a Just Transition as referenced in the Paris Agreement.

b. Engagement:

- i. Analysis of which active ownership strategies are most effective (engagement, proxy voting, shareowner proposals, coordinated initiatives).
- ii. Analysis of the potential impact of engagement on company strategy (governance, capital allocation, targets, risk management, disclosure in financial and other reports).
- iii. Correlation between outcomes of engagement activities and financial performance.

c. Integration:

- i. Independent validation of data models or methodologies that consider climate-related risk or opportunities for investment purposes.
- ii. An evidence-based view on inflection points related to market pricing and valuation in a low-carbon transition in the global and US economy.
- iii. Gap analysis between current policies and technologies versus what is required to transition investment portfolios to net-zero GHG emissions by 2050. Evidence of the market pricing in climate transition and physical risks, across and between sectors as considered by [CalPERS' Investment Strategy on Climate Change](#).
- iv. Pace and direction of the transition impact on investments, particularly, in relation to inflection points for capital allocation and adoption curves. Research may also consider potential strategies to mitigate risk, build resilience in the portfolio and position for opportunity.

6. Conflicts and Disclosures

- a. Does the organization or any professional have any perceived, potential, or actual conflicts with CalPERS related to this work? If so, please describe.



- b. List any other relationships, contracts, and business activities that involve CalPERS, its Board Members, or executive officers. A list of CalPERS Board Members and executive officers can be found at the following links:

<https://www.calpers.ca.gov/page/about/board/board-members>

<https://www.calpers.ca.gov/page/about/organization/executive-officers>

- c. Provide two or three client references most relevant to this project including name of primary contact, contact title, phone number, years as a client for that specific service.

- d. Please provide any contract terminations in the past three years as well as an explanation.



**RESPONDENT CERTIFICATION SHEET**

<b>1. Designation of Official Contact Person</b>	
The individual to whom all information and correspondence regarding this RFI should be transmitted is:	
Organization:	
Contact Name and Title:	
Address:	
City, State, and Zip:	
Country of Origin:	
Phone Number:	Fax Number:
E-Mail Address:	
<b>2. Indicate your organization type:</b> <input type="checkbox"/> Limited Liability Corporation <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Corporation (Corporation Number 13-2646110) <input type="checkbox"/> Partnership <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Joint Venture <input type="checkbox"/> Academic or Non-Profit Organization <input type="checkbox"/> Other (if other, please state the nature here: _____)	
<b>3. Federal Employer ID No. (FEIN)</b>	<b>4. California Corporation Number</b>
<b>5. Does your Response contain Proprietary Information?</b> Yes <input type="checkbox"/> No <input type="checkbox"/> (If yes, attach a separate sheet to this certification which specifically itemizes the section(s) marked as "proprietary information".)	



<b>6. Authorized Officer to Sign Contract</b>		
Name and Title:		
Address:		
City, State, and Zip:		
Country of Origin		
Phone Number:		Fax Number:
E-Mail Address:		

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name and Title (Please Print)