



CALPERS REQUEST FOR INFORMATION

2020 CalPERS' Sustainable Investment Research Initiative III: Human Capital Management

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 **human capital**:

- **Advocacy** (Advocate that standard-setters and regulators set policies that support sustainable economic growth, including mandatory disclosure of material human capital metrics)
- **Engagement** (Exercise our ownership rights to ensure alignment with the stewards of our capital)
- **Integration** (Enhance financial outcomes by including consideration of human capital risk and opportunity)

Context

As of October 30, 2020, 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 are looking to investigate how to best integrate sustainability factors in line with our fiduciary obligations and in accordance with CalPERS' [Investment Beliefs](#). Specifically, and 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.

CalPERS' investment approach is guided also by our [Governance and Sustainability Principles](#) which include specific reference to human capital management, for example regarding the multi-faceted nature of diversity and inclusion, such that: "Diversity should be thought of in terms of skill sets, gender, age, nationality, race, sexual orientation, gender identity, disability, and historically under-represented groups. Consideration should go beyond the traditional notion of diversity to include a broader range of experience, thoughts, perspectives, and competencies to help enable effective long-term value creation and risk management."

Prior SIRI initiatives have informed CalPERS' sustainable investing strategic planning. 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 data and corporate reporting, 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 growing body of academic and practitioner literature, supporting best practices that consider evidence on gender, race and other dimensions of diversity and inclusion to reflect CalPERS' multi-faceted approach to human capital management. These insights will inform our engagement, advocacy, and integration pillars across asset classes and geographies, at a scale and complexity appropriate for an institutional investor like CalPERS.

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: Human Capital Management 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: 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

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

Please reference **RFI for CalPERS SIRI III: Human Capital Management 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: Human Capital Management 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, 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 human capital management 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:

- a. Typical expected timeframe (calendar months)
- b. Phasing, if any
- c. Your proposed staffing (number and level of seniority)
- d. Resources required from CalPERS
- e. 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 addresses any of the following areas of interest directly, or otherwise:

a. Advocacy:

- i. Gap analysis between factors relevant to HCM performance and factors requested to be disclosed by financial regulation.
- ii. Research that sets out how human capital management can impact security level, sector, portfolio and systemic risks.
- i. Examination of whether and how monetary and fiscal policies consider human capital management in capital markets.

b. Engagement:

- i. Analysis of which active ownership strategies are most effective.
- ii. Analysis of the potential impact of engagement on company strategy (performance, capital allocation, governance, risk management, reporting within and alongside financial reporting).
- iii. Correlation or association between engagement activities and financial performance.

c. Integration:

Please share examples of published research that address any of the following:

- i. Evidence that human capital management strategies create opportunities for better investment decision-making process and outcomes
- ii. Dimensions of diversity's impact to investment performance, including reference to CalPERS' multifaceted definition, which includes gender, race/ethnicity, gender identity, sexual orientation, disability, consideration of intersectionality and other factors.
- iii. Unconscious bias and its impact on investment decision making and outcomes.
- iv. The current state of human capital management reporting and verification by companies (by geography, sector).
- v. How human capital practices disclosure may or may not be rewarded by public and private markets.
- vi. Analytical frameworks for human capital management "footprinting", such as racial and gender equity benchmarks or "audit". (cont.)



- vii. Human capital practices and fundamental performance linkage, including differentiation between tangible vs. intangible asset-based industries.
- viii. Human capital management and economic resilience to tail events, such as COVID-19, climate-related transition and physical risks, and the changing conditions of employment in the economy.
- ix. Evidence on specific portfolio construction and performance, such as Emerging Manager Programs.

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

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



6. Authorized Officer to Sign Contract		
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)