



# Investment Committee

## Agenda Item 5a

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**March 17, 2025**

**Item Name:** Policy Changes for Responsible Contractor Policy – Third Reading

**Program:** Sustainable Investments

**Item Type:** Action

### **Executive Summary**

This agenda item provides an update on the refresh of CalPERS' Responsible Contractor Program (RCP) Policy (Policy).

### **Strategic Plan**

The 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**

This agenda item supports the following Investment Beliefs:

Investment Belief 3 – CalPERS investment decisions may reflect wider stakeholder views, provided they are consistent with its fiduciary duty to members and beneficiaries

Investment Belief 4 – Long-term value creation requires effective management of three forms of capital: financial, physical, and human

### **Background**

CalPERS has had an RCP Policy since the 1990s. We have a deep interest in the condition of workers employed by CalPERS and our managers and delegates. The RCP Policy supports fair wages and benefits based on small business development, local market conditions, subject to fiduciary principles and control of operating costs. The RCP Policy exists to ensure prudent and careful action to domestic Real Estate and Infrastructure investment managers where:

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

## **Analysis**

As of July 2015, Real Estate and Infrastructure managers began operating under the Policy as revised in March 2015. At the direction of the Investment Committee, Investment Staff undertook Policy review and engagement process to assess potential areas for updates.

Proposed Policy updates will strengthen manager responsibilities, clarify reporting guidance, strengthen the risk management function of the Policy, and help streamline implementation of the Policy, and facilitate communication between stakeholders and managers.

## **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 supports the effective management of human capital to increase the likelihood that companies will perform over the long-term and manage labor risks to investment returns. This Policy also helps manage costs through competitive bidding, which benefits CalPERS' long-term investment returns.

## **Attachments**

Attachment 1 – Policy Changes for Responsible Contractor Policy-Third Reading-PPT

Attachment 2 – CalPERS Responsible Contractor Policy (redline version)

Attachment 3 – CalPERS Responsible Contractor Policy (clean version)

Attachment 4 – Meketa Comment Letter

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