

Responsible Contractor Policy Annual Review

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Overview

Purpose

- The Responsible Contractor Program (RCP) Policy (Policy) supports fair market wages and benefits based on local conditions for workers employed by contractors and subcontractors, subject to fiduciary principles¹
- Applies when the Real Assets program makes investments in the service, maintenance, development, and improvement of CalPERS' domestic Real Estate and Infrastructure assets

Scope

- U.S. Real Estate and Infrastructure assets where CalPERS holds more than 50% interest
- Contracts greater than \$100K
- Managers² provide an annual RCP Policy compliance and certification report

History

Year	Event
1998	<ul style="list-style-type: none">Investment Committee approves establishment of the Policy
2010	<ul style="list-style-type: none">Five-year policy review and engagement process begins³
2012	<ul style="list-style-type: none">RCP Policy enhanced and revised
2015	<ul style="list-style-type: none">Extensive 18-month policy review and engagement processRCP Policy enhanced and revised⁴
2023	<ul style="list-style-type: none">Policy review and engagement process



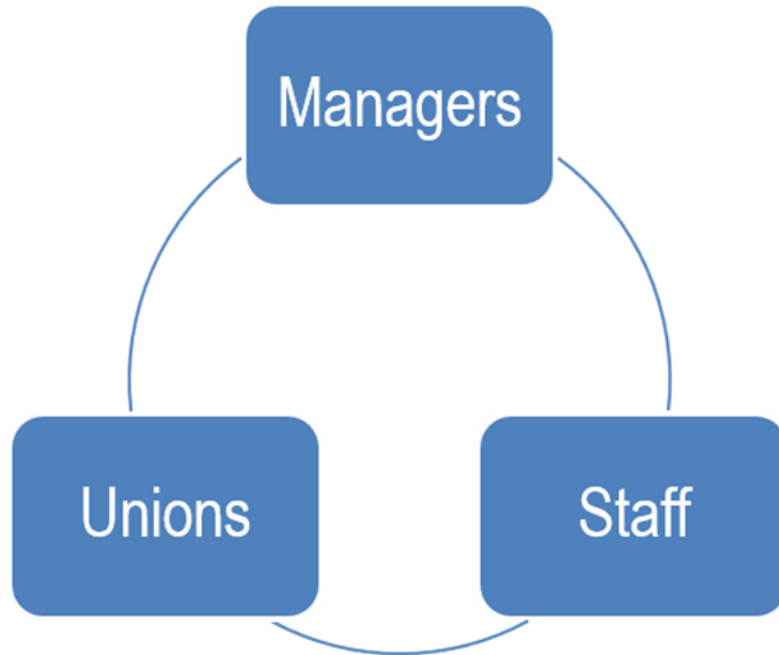
³ Established the Neutrality Trial for Core managers on service contracts; Core investments are those that produce a predictable current net income yield after debt service; See slide 12 for Neutrality information

⁴ Neutrality Trial for Core managers becomes permanent policy; New Neutrality Trial established for select Non-Core managers; Investments not considered Core; 'select' are certain identified non-core investments

Fiscal Year 2023-24 Summary Results

- **All 15 managers reported in aggregate 100% compliance⁵**
- **Over \$1.04 billion paid to certifying responsible contractors**
- **All managers certified that they and their contractors / sub-contractors complied with the RCP Policy to the best of their knowledge**
- **For the 2023-24 Fiscal Year (FY), the total amount paid to certifying responsible contractors was attributed to several factors including: increased development costs for properties under construction, further progress on conversion projects, and new lease agreements resulting in tenant improvement allowances**
- **All managers reported the RCP Policy had no adverse material impact on CalPERS' investment returns**
- **No formal complaints were filed during the reporting period**

Communication & Engagement



- **INVO staff communicates regularly with key labor leaders and Real Assets managers regarding implementation of the RCP Policy**
- **The RCP Policy, information on its implementation, annual reports and links to contact Real Assets managers to request information on RCP bidding opportunities are available on the CalPERS website**
- **Staff continues to address labor issues as they occur, in accordance with the RCP Policy. Some RCP concerns fall outside of the RCP scope such as:**
 - **CalPERS has no ownership interest in the asset**
 - **Contract is less than \$100,000**

Compliance and Total Contracting

Fiscal Year	RCP Compliance (%)	Total Paid to Responsible Contractors (\$Billions)	Real Assets Ending Market Value (\$Billions) ⁶
2015-16	99.73	1.22	29.89
2016-17	99.97	1.18	34.32
2017-18	100.00	0.86	36.12
2018-19	99.98	0.84	39.20
2019-20	100.00	0.84	42.80
2020-21	100.00	0.46	44.42
2021-22	100.00	0.98	68.80
2022-23	100.00	0.81	70.10
2023-24	100.00	1.04	66.10
Total		8.23	

Appendix

CalPERS Investment Beliefs

Investment Belief 4

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

Investment Belief 3

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

Manager Responsibilities Report ⁷

Investment managers that reported costs to administer the RCP estimated between \$2,000 and \$250,000 per year

- Estimates vary according to the number of qualifying contracts and unique staffing and implementation practices of each investment manager

All investment managers (or their delegates ⁸) reported that they:

- Maintained written policies and procedures for implementing and complying with the RCP; provided training on administering the RCP
- Communicated the RCP Policy, and their own written policies or procedures relating to the RCP, to their employees and contractors
- Monitored and enforced their own and delegates' compliance with the RCP, including the investigation of potential violations
- Used a 30-day pre-bid notification procedure when appropriate