

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY**

**FOR
RESPONSIBLE CONTRACTOR PROGRAM**

February 13, 2012

This Policy is effective immediately upon adoption and supersedes all previous Responsible Contractor policies for parties subject to this Policy.

I. PURPOSE

This document sets forth the investment policy ("the Policy") of the Responsible Contractor Program ("the Program"). The design of this Policy is intended to ensure that contractors, investors, managers, consultants, or other participants selected by the California Public Employees' Retirement System ("CalPERS") take prudent and careful action while managing the Program. Additionally, use of this Policy provides assurance that there is sufficient flexibility in controlling investment risks and returns while using contractors.

II. INTRODUCTION

CalPERS has a deep interest in the condition of workers employed by CalPERS and its Managers and Delegates (as defined in the next section). CalPERS, through the Policy set forth in this document, supports and encourages fair wages and benefits for workers employed by its contractors and subcontractors, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on CalPERS real estate and infrastructure investments.

CalPERS endorses small business development, market competition, and control of operating costs. CalPERS supports many of the ideals espoused by labor unions and encourages participation by labor unions and their signatory contractors in the development and management of CalPERS real estate and infrastructure investments. CalPERS believes that an adequately compensated and trained worker delivers a higher quality product and service. The Policy includes provisions for transition, monitoring, and enforcement.

III. DEFINITIONS

Capitalized terms used in this Policy have the following meanings for purposes of this Policy:

- A. **Board** – The CalPERS Board of Administration or the committee thereof to which the Board has delegated the function in question.

- B. **CalPERS** – The California Public Employees’ Retirement System.
- C. **Delegate** – A person or entity that a Manager retains (other than pursuant to an Exempt Contract) to provide services with respect to an RCP Investment. When a Delegate hires another Delegate, the latter is the former’s “Sub-Delegate.” For example, the general partner of a partnership that owns an office building that is an RCP Investment normally would be the Manager. The Property Manager that the Manager hires to manage the building would be a Delegate. In turn, if that Delegate hires another firm, e.g., a janitorial services company, to provide services with respect to the property, the janitorial services company would be the Property Manager’s Sub-Delegate (see definition of Sub-Delegate below). Any person or entity in such a delegation chain that performs services pursuant to an Exempt Contract would not be a Delegate or Sub-Delegate with respect to those services, nor would any person or entity it retains or subcontracts with to provide those services.
- D. **Exempt Contract** – An RCP Investment-related construction or property services contract (1) for professional services (e.g., architect, legal, or engineering services) or (2) for less than \$100,000. This threshold amount is applied both at the contract level and the subcontract level. For example, a \$1 million maintenance contract normally would not be an Exempt Contract, but a \$40,000 subcontract under it would be an Exempt Contract. Incremental contract amounts shall not be used to circumvent the threshold amount to create an Exempt Contract or subcontract under this Policy. Any contract in effect when a property first becomes an RCP Investment also shall be an Exempt Contract, but this exemption shall lapse at the end of the contract’s term (including any extensions the contract permitted before the investment became an RCP Investment).
- E. **Fiduciary Duty Requirement** – The duty of the CalPERS Board, Staff, and Managers to be loyal and prudent, and achieve a competitive return, as set forth in Section IV.A.-C. To the extent a Delegate has been delegated the discretion to make business decisions affecting RCP Investments, CalPERS expects the Delegate or Sub-Delegate to make prudent business decisions.
- F. **Manager** – A person or entity that directly contracts with CalPERS to manage or otherwise control an RCP Investment, such as an investment manager or the general partner of a partnership in which CalPERS directly invests.
- G. **Policy** – The policy set forth in this document, as amended from time to time. Except to the extent that the Staff determines otherwise, an amendment to this Policy made after a person or entity becomes a Manager shall apply to the Manager.

- H. **Property Manager** – A person or entity that manages the day-to-day operations of a building, including such things as leasing, tenant improvements, guard and janitorial services, or performs similar functions.
- I. **RCP Contract** – An RCP Investment-related contract (other than an Exempt Contract) for (a) building or construction-related services (including tenant improvements unless paid for by the tenant), and (b) property-related services (such as cleaning maintenance, security, food and beverage service, and other services provided within the property that are specific to the nature of that asset, e.g., senior living operations, hotel operations, transportation assets, hospitals, etc.).
- J. **RCP Investment** – An investment Section VI.A. designates as an RCP Investment, generally real estate and infrastructure investments more than 50% owned by CalPERS. Determination of an RCP Investment designation only will be made when CalPERS first contracts with the person or entity who would be the Manager, or when CalPERS subsequently enters into a new contract with the person or entity. For example, if CalPERS, at the time of the first contract, will not own more than 50% of a real estate or infrastructure investment, subsequent CalPERS investments in that real estate or infrastructure investment that cause it to be more than 50% CalPERS-owned will not make it an RCP Investment, nor cause the person or entity managing it to become a Manager.

If it is intended or reasonably foreseeable that an initial investment less than 50% CalPERS-owned will grow to a greater percentage, CalPERS and Manager will determine at the inception whether designating the investment as an RCP Investment is appropriate under the circumstances. Incremental increases in percentages of CalPERS ownership shall not be used to circumvent an RCP Investment designation.

- K. **Responsible Contractor** – A business that pays workers a fair wage and a fair benefit (see Section VI.G.), as evidenced by payroll and employee records.
- L. **Staff** – The CalPERS Investment Office staff.
- M. **Sub-Delegate** – A person or entity retained by a Delegate or another Sub-Delegate (other than pursuant to an Exempt Contract) to provide services with respect to an RCP Investment. If a Sub-Delegate, in turn, subcontracts with another firm, the subcontractor would be the Sub-Delegate of the initial Sub-Delegate, and so on.

IV. PRINCIPAL REQUIREMENTS OF THE RESPONSIBLE CONTRACTOR PROGRAM POLICY

- A. **Duty of Loyalty** – Notwithstanding any other considerations, assets shall be managed for the exclusive benefit of CalPERS participants and beneficiaries. CalPERS and its Managers' duty to the participants and their beneficiaries shall take precedence over any other duty.
- B. **Prudence** – CalPERS and its Managers are charged with the fiduciary duty of exercising the care, skill, prudence, and diligence appropriate to the task.
- C. **Competitive Return** – To comply with duties of loyalty and prudence, all investments and services must be made and managed in a manner that produces a competitive risk-adjusted return.
- D. **Competitive Bidding** – Managers and Delegates shall select contractors and their subcontractors for RCP Contracts through a competitive bidding and selection process. The purpose of this provision is to encourage fair competition and to seek bids actively from all qualified sources within an area, particularly those identified as Responsible Contractors. See Section VI.F. and I. for more information on the competitive bidding requirements.
- E. **Local, State, and National Laws** – All Managers, Delegates and the contractors and subcontractors they hire, while performing services with respect to RCP Investments, shall observe all local, state, and national laws (including, by way of illustration, those pertaining to applicable licensing and permitting, insurance, withholding taxes, minimum wage, and health and occupational safety).
- F. **Delegation Requirement** – Managers must require their Delegates to comply with this Policy, and Delegates must require their Sub-Delegates to comply with this Policy. CalPERS will hold Managers responsible for Delegate noncompliance to the extent a Manager permits or causes a Delegate to violate this Policy or fails to take appropriate remedial action after learning of a violation. In a like manner, each Delegate is responsible for its Sub-Delegate's noncompliance with this Policy to the greatest extent reasonable and prudent in light of all circumstances and factors at that time.

V. SELECTION PREFERENCE OF A RESPONSIBLE CONTRACTOR

If the requirements in Section IV. are satisfied, CalPERS strongly prefers Managers and Delegates to hire Responsible Contractors to provide services to RCP Investments. As to non-RCP Investments, Staff shall give a strong preference to investment managers, advisors, partners and the equivalent that

have internal responsible contractor policies that are consistent with this Policy, subject to the Fiduciary Duty Requirement.

VI. TRANSITION, ENFORCEMENT, MONITORING, AND ADMINISTRATION

- A. **RCP Investments** – This Policy shall only apply with respect to RCP Investments. An RCP Investment is (1) a real estate investment, or (2) an infrastructure investment to which the CalPERS infrastructure policy makes this Policy apply, in either case, including one owned by a business entity (such as a joint venture, limited liability company, or partnership), in which CalPERS owns a greater than 50% ownership interest (subject to the terms of Section III.J.) RCP Investments do not include any other types of investments, including commingled funds, opportunity funds, mezzanine debt, hybrid debt, international investments, indirect investments, specialty investments, and mortgage investments lacking equity features.

Housing Development Partnerships exempted from this Policy in the past shall remain exempt, but voluntary compliance is strongly recommended, subject to the Fiduciary Requirement, and bearing in mind that Responsible Contractor status is determined based on local market factors that include the nature of the project (e.g., residential or commercial) among other factors. Hence, for example, a contractor doing work on a single family housing project might still be a Responsible Contractor even though it pays lower wages than a Responsible Contractor in the area pays for commercial office building construction, if that is consistent with locally prevailing labor practices.

The practicality, schedule, and method of extending this Policy in the future beyond RCP Investments depends on factors that include the structure of the investment and the degree of control CalPERS can exercise.

When the Policy is not applicable by its terms, investment advisors, general partners, and other similar entities managing CalPERS real estate or infrastructure investments are encouraged to make a good faith effort to comply with the spirit of the policy, consistent with the Fiduciary Duty Requirement. Good faith efforts may include, but are not limited to, encouraging the use of and advocating for Responsible Contractors, supplying timely information on bidding opportunities to interested Responsible Contractors, and facilitating meetings with organized labor.

- B. **Notification** – CalPERS shall provide a copy of this Policy to all current and prospective Managers of RCP Investments.
- C. **Solicitation Documents** – Except for Exempt Contracts, all requests for proposal and invitations to bid relating to RCP Investments (including both

those CalPERS issues for Managers and those Managers or Delegates issue for Delegates and Sub-Delegates, respectively) shall both describe the terms of this Policy (or include a copy of it) and include a copy of the Responsible Contractor Self-Certification Form (Appendix 1). Responses by bidders shall include information to assist CalPERS, the Manager, or Delegate (whichever is applicable) in evaluating a bid. CalPERS reserves the right to disclose the contents of the Self-Certification Form at its discretion or the discretion of the applicable Manager or Delegate. Disclosure also may be required by applicable law.

- D. **Contracts and Renewals** – Except for Exempt Contracts, all contracts that retain Managers, Delegates, and Sub-Delegates with respect to RCP Investments shall require compliance with this Policy. CalPERS will take compliance with this Policy into account in considering Manager contract renewals. The Staff will report non-compliance to the Board on a timely basis or at a minimum annually. Unless a Manager agrees to be bound by this Policy restatement, a contract entered into before the date this Policy restatement was adopted shall remain subject to the terms of the Policy in effect when the contract was entered into. The preceding sentence will apply to renewals pursuant to the contract's renewal provisions, but it will cease to apply if the contract is otherwise extended.
- E. **Responsibilities** – The responsibilities of the Staff, Managers, and Delegates, and the role of unions under this Policy are as follows:
1. The Staff shall have the following responsibilities:
 - a. Reviewing Managers' annual reports regarding compliance with the Policy.
 - b. Developing and maintaining Manager contact information and making it available to inquiring parties.
 - c. Developing and maintaining procedures sufficient to implement the Policy and to monitor Managers' and Delegates' compliance with the Policy.
 - d. Reporting periodically to the Investment Committee on Managers' and Delegates' compliance with the Policy, making recommendations for, or taking, corrective or enforcement action as necessary, and describing any enforcement actions it has taken.
 2. Managers shall have the following responsibilities; the performance of which (but not the responsibility for which) they may delegate to, e.g., Property Managers:

- a. Communicating this Policy, and any written policy or procedures of the Manager relating to this Policy, to all of its Delegates.
 - b. Maintaining written policies and procedures, including competitive bidding, and providing periodic employee training for implementing and complying with this Policy.
 - c. Reviewing a list prepared by each Delegate of current and pending RCP Contracts.
 - d. Maintaining a simplified bid summary for each RCP Contract. The summary shall identify the contract, number of bids submitted, the successful bidder, and its Responsible Contractor status.
 - e. Monitoring and enforcing its and its Delegates' compliance with this Policy, including undertaking appropriate steps to correct or deal with violations, and to cause each Delegate to do the same with respect to its Sub-Delegates (see Section VI.H.)
 - f. The Manager shall annually provide to Staff the Manager's Certificate of Compliance and Annual Report on Manager's Responsibilities in the form attached to this Policy as Appendix 3.
 - g. The Manager shall notify (or cause a Delegate to notify) a national contact at trade/service unions (see Section VI E.4.b.) if the Manager is expanding RCP Investments into new areas so that trade/service unions can provide the Manager contact information of local trade councils and union halls in the market where expansion is occurring.
 - h. Any other responsibilities this Policy assigns to Managers.
3. Delegates (or Managers, to the extent they undertake these functions) shall have the following responsibilities:
- a. Communicating this Policy in RCP Contract bid documents.
 - b. Communicating about the Policy to any interested party.
 - c. Ensuring there is a competitive bidding process for RCP Contracts, inclusive of potentially eligible Responsible Contractors.

- d. Requiring that bidders for RCP Contracts provide the Delegate a Responsible Contractor self-certification on a form approved by CalPERS.
 - e. Preparing and sending to Managers a listing of current and pending RCP Contracts for each RCP Investments with which the Delegate is involved. The building trades and service trades and other potential bidders will have access to this list.
 - f. Providing Managers with a simplified bid summary for each RCP Contract.
 - g. Providing property level annual report information to Managers.
 - h. Maintaining documentation for successful bidders on RCP Contracts.
 - i. Seeking from trade unions/service unions input in the development of Responsible Contractor lists.
 - j. Maintaining a list of any interested Responsible Contractors and local trade councils and union halls in all markets in which the Policy is applicable. (Names, addresses and telephone numbers).
 - k. Any other responsibilities this Policy assigns to Delegates.
4. Trade unions/service unions are expected to undertake the following tasks:
- a. Delivering to Managers and Delegates lists of names and telephone numbers of Responsible Contractors.
 - b. Providing a national contact person/address/e-mail address where current information and notifications of expansions into new areas can be sent.
 - c. Providing contact information (address, e-mail address, phone number and contact person) of local trade councils and union halls in all markets in which this Policy is applicable to the Manager or Delegate.
 - d. Referring interested and qualified Responsible Contractors to the Manager.

- e. Monitoring the local labor markets continually to update the lists.
 - f. Providing technical input as appropriate.
- F. **Outreach** – Managers must use reasonable methods to timely notify potential contractors of bidding opportunities for RCP Contracts. Managers and Delegates shall provide RCP Contract solicitation documents to any potential contractor who, has in writing, expressed an interest in bidding for the contract.
- G. **Fair Wage, Fair Benefits, and Training** – The Policy avoids a narrow definition of “fair wage”, “fair benefits”, and “training” that might not be practical in all markets. Furthermore, the Policy does not require a “prevailing wage”, as defined by government surveys. Instead, the Policy looks to local practices concerning type of trade and type of project. The Policy recognizes that practices and labor market conditions vary across the country and that flexibility in its implementation is very important.

The definition of fair benefits generally includes, but is not limited to, employer-paid family health care coverage, pension benefits, and apprenticeship programs. What constitutes a fair wage and a fair benefit depends on the wages and benefits paid on comparable real estate or infrastructure projects. Fair wages and fair benefits are based upon local market factors, that include the nature of the project (e.g., residential or commercial and public or private), comparable job or trade classifications, and the scope and complexity of services provided.

In determining fair wages and fair benefits concerning a specific contract in a specific market, items that may be considered include local wage practices, state laws, prevailing wages, labor market conditions, and other items.

In place of a prevailing wage standard, the Policy requires a broad outreach and competitive bidding program, as described in Sections IV.D. and VI. This program is premised upon the availability of a list of Responsible Contractors in every market in which CalPERS directly owns a property. While Managers and Delegates are responsible for gathering and analyzing information relevant in identifying and hiring a Responsible Contractor, compilation of this list does not depend solely on them. Instead, this Policy invites the various local trades to suggest contractors, which in their view, qualify as Responsible Contractors. Sources of information include local building and service trade councils, builders associations, and governments.

- H. **Annual Review and Data Forms** – Managers must file a Responsible Contractor annual report with CalPERS. Managers shall present

summary data in a format described and approved by CalPERS (see Appendix 3.) They shall include evidence showing that they have made good faith efforts to monitor their Delegates for compliance with this Policy and undertaken appropriate steps to correct or deal with violations, and to cause each Delegate to do the same with respect to its Sub-Delegates.

The annual review shall determine whether each Manager or Delegate conducted a good faith outreach program and a competitive bidding process that includes Responsible Contractors. A Manager or Delegate will not be faulted merely because a Responsible Contractor does not respond to the invitation to bid. For each bidder, the Manager or Delegate is obliged to gather appropriate responsible contractor information and make a judgment concerning the principal requirements described in Section IV. CalPERS shall focus on a Manager's and its Delegates' overall pattern of conduct and not any one specific incident.

- I. **Competitive Bidding** – Managers and Delegates shall create a bidding process for RCP Contracts that includes notification and invitations to bid (see Section VI.F.) distributed to a broad spectrum of potential bidders, particularly those identified as Responsible Contractors. This process may include: electronic or paper advance bid notifications; and pre-bid meetings, if appropriate under the circumstances. This obligation will be deemed satisfied if bids are solicited on a publicly accessible web site, but CalPERS encourages Managers and Delegates using this approach to include a feature in their web sites permitting potential bidders to sign up for automatic e-mail notification of projects open for bidding.

If appropriate under the circumstances, Managers and Delegates shall use a 30-day pre-bid notification procedure to maximize Responsible Contractor bidding opportunities.

Large numbers of bidders do not necessarily assure inclusion. Managers, Delegates, or Property Managers must take care in ensuring that bidders include potentially eligible Responsible Contractors. Managers, Delegates, or Property Managers may choose a reasonable number of contractors to invite to bid from the list of Responsible Contractors or other would-be bidders. Given the time and expense required to solicit and evaluate bids, it is not essential to invite all potential bidders.

Although the Policy does not require hiring union workers, Managers and Delegates must invite trade unions (through web site postings or other means) whose members work in the region where the work is to be performed to participate in the following:

1. Deliver to the Manager or Delegate lists of names and telephone numbers of Responsible Contractors and local trade councils and

union halls in the region, including Responsible Contractors who expressed any interest in bidding.

2. Continually monitor the local markets, updating the lists.

Managers and Delegates shall maintain these lists supplied by the trade unions.

The review of the bids shall include consideration of loyalty, prudence, competitive risk-adjusted returns, and adherence to this Policy.

An extension permitted by the terms of an RCP Contract is not subject to the competitive bidding requirement this section imposes. However, a new RCP Contract with an existing contractor to replace an expiring contract is subject to this requirement unless the contractor was a Responsible Contractor under the expiring contract and will remain one under the new contract.

- J. **Neutrality** – CalPERS will itself remain neutral, and it supports Manager neutrality, in the event a labor organization lawfully attempts to organize workers providing construction, maintenance, operation, or services at a RCP Investment. To remain “neutral” means not to take any action or make any statement that will directly or indirectly state or imply any support for or opposition to the selection by employees of a collective bargaining agent, or preference or opposition to any particular union as a bargaining agent. Nothing in this Policy obligates or prohibits Managers or Delegates from entering into private neutrality, labor peace or other lawful agreements with a labor organization seeking to represent or who currently represents workers at a RCP Investment.

Resolution of any interjurisdictional trade disputes shall be the responsibility of the unions (e.g., trades and the various state and national building trades councils). This Policy does not call for any involvement by Managers or Delegates in interjurisdictional trade disputes.

- K. **Enforcement** – This Policy is an important CalPERS policy. The Board expects the Staff to diligently monitor Managers for compliance with the Policy, just as it expects Managers to diligently monitor their Delegates and Delegates their Sub-Delegates for compliance. If the Staff determines that a Manager has materially violated the Policy, either directly or by failing to take appropriate steps to prevent or remedy material Delegate Policy violations, the Staff is to consider all reasonably available remedies and implement any appropriate ones that it determines will best address the violation in a manner that satisfies the Staff’s Fiduciary Duty Requirement, or recommend that the Board take such actions. For example, to the extent that CalPERS has the right to cancel its contract with a Manager that has violated this Policy, or to the extent the Manager

has the right to cancel its contract with a Delegate that has violated this Policy or require a Delegate to cancel a contract with a Sub-Delegate that has violated this Policy, Staff may cancel the CalPERS contract with the Manager or request the Manager to secure cancellation of the Delegate or Sub-Delegate contract but only if doing so would not violate the Fiduciary Duty Requirement.

Unless a Manager promptly corrects a material Policy violation, the Staff shall place the non-complying Manager on a probation watch list. If the Manager does not modify this pattern of conduct, even after discussions with the Staff, CalPERS shall consider this pattern of conduct along with other information when it reviews the Manager for possible renewal. The key indicator is a pattern of conduct that is inconsistent with the provisions of the Policy.

CalPERS does not require that Managers or Delegates use any particular system for compliance. However, from time to time, the Staff may disseminate information and suggestions regarding efficient ways for complying with this Policy.

- L. **Complaints** – Formal complaint(s) may be submitted to CalPERS per the attached Complaint, Investigation and Dispute Resolution Process Regarding Potential Violations of the CalPERS Responsible Contractor Program Policy (Appendix 2).

Approved by the Policy Subcommittee:	September 11, 1998
Approved by the Investment Committee:	September 14, 1998
Revised by the Policy Subcommittee:	September 12, 2003
Approved by the Investment Committee:	October 14, 2003
Revised by the Policy Subcommittee:	March 12, 2004
Approved by the Investment Committee:	April 19, 2004
Revised by the Policy Subcommittee:	March 11, 2005
Approved by the Investment Committee:	April 18, 2005
Revised by the Policy Subcommittee:	June 10, 2005
Approved by the Investment Committee:	August 15, 2005
Revised by the Policy Subcommittee:	March 17, 2008
Approved by the Investment Committee:	April 21, 2008
Approved by the Investment Committee:	February 13, 2012

Appendix 1

Responsible Contractor Program Policy

CERTIFICATION OF RESPONSIBLE CONTRACTOR STATUS

GENERAL INFORMATION

Company Name	
Address	
City	
Telephone Number ()	Fax Number ()
Ownership Structure (Please check one)	
<input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> Joint Venture <input type="checkbox"/> Other _____	
Description of Service(s) Provided	
Contractor's License #	

RESPONSIBLE CONTRACTOR STATUS (Refer to definitions on page 3 of this Appendix)

Please check one of the following boxes:

1. Meets all Responsible Contractor requirements
2. Meets none of the Responsible Contractor requirements
3. Meets certain of the Responsible Contractor requirements (*provide explanation below*)

If you have checked box 3 above, please provide an explanation below (*attach additional pages if necessary*)

Explanation: _____

4. In the last 18 months, has your firm been fined, suffered an adverse judgment, incurred a penalty, or had to change its employment policies because of violations of State or Federal labor laws, including but not limited to the National Labor Relations Act, Of the Civil Rights Act of 1964 (e. g., sexual harassment or discrimination violations)? If yes, please explain (*attach additional pages if necessary*).

Explanation: _____

5. Are you aware of any pending complaints that have been filed with your firm or any agency enforcing labor or employment laws? If yes, please explain. (An affirmative answer will not necessarily disqualify you from being the successful bidder. It just will be a factor that will be taken into account in determining to whom the contract will be awarded.)

Explanation (*attach additional pages if necessary*): _____

OWNER'S CERTIFICATION OF RESPONSIBLE CONTRACTOR STATUS

On behalf of the above-named company, the undersigned certifies that the information and response provided herein are true, complete and accurate as of this date, and he/she is aware that any intentionally misrepresented or falsified information may result in disqualification from future contracting opportunities.

Signature _____ Date _____
Name (please print) _____ Title _____

This form was prepared for use with the Responsible Contractor Program Policy of CalPERS. Any contractor or subcontractor with a minimum contract size of \$100,000 should complete this form. CalPERS reserves the right to disclose the contents of this Self-Certification Form at its or its Manager's or Delegate's discretion.

INTRODUCTION:

The California Public Employees' Retirement System ("CalPERS") has a deep interest in the condition of workers employed by CalPERS and its Managers and Delegates. CalPERS, through the Statement of Investment Policy for the Responsible Contractor Program ("Responsible Contractor Policy"), supports and encourages fair wages and fair benefits for workers employed by its contractors and subcontractors, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on CalPERS real estate and infrastructure investments. CalPERS endorses small business development, market competition and control of operating costs. CalPERS supports many of the ideals espoused by labor unions and encourages participation by labor unions and their signatory contractors in the development and management of CalPERS real estate and infrastructure investments. CalPERS believes that an adequately compensated and trained worker delivers a higher quality product and service.

DEFINITION:

Responsible Contractor: A business that pays workers a fair wage and a fair benefit as evidenced by payroll and employee records. The definition of fair benefits includes, but is not limited to, employer paid family health care coverage, pension benefits, and apprenticeship programs. What constitutes a fair wage and a fair benefit depends on the wages and benefits paid on comparable real estate or infrastructure projects. Fair wages and fair benefits are based upon local market factors, that include the nature of the project (e.g. residential or commercial and public or private) comparable job or trade classifications, and the scope and complexity of services provided.

Responsible Contractor Worksheet

Company Name: _____

This Worksheet has been provided to assist you with answering questions on the Certification of Responsible Contractor Status form. The Responsible Contractor Program encourages fair wages and benefits, consistent with local market practices. Please take a few minutes to complete the following questions about your firm and the marketplace in which you operate.

Wages

- 1. Considering the wages paid by your competitors in this market, the nature of this project, and the size and scope of this contract, do you believe that your firm will pay local market wages for the employees on this job?
 YES **NO**

Benefits

- 1. For the employees on this job, will your firm provide employer-paid health insurance for the employee or the employee and his or her family?
 YES **NO**
- 2. For the employees on this job, will your firm provide pension, 401(k), or a similar retirement savings or deferred compensation program?
 YES **NO**
- 3. For employees on this job, will your firm provide access to apprenticeship programs for skilled trades?
 YES **NO**
- 4. Are there any other benefits that you will provide to the employees on this job that you would like to describe (e.g. paid vacation, sick leave, etc.)? If so, please describe:

- 5. Considering your answers above, the benefits your competitors in this market provide to their employees, the size and scope of this contract, and the nature of this project, do you believe your firm will provide benefits consistent with local market practices to the employees on this job?
 YES **NO**

Please attach additional page(s) if you would like to elaborate on any of the answers you provided above.

Appendix 2

Complaint, Investigation and Dispute Resolution Process Regarding Potential Violations of the CalPERS Responsible Contractor Program Policy

All complaints must be in writing and sent to CalPERS at the following address:

**California Public Employees' Retirement System
Investment Office, Real Estate Unit
400 Q Street, Suite E4800
Sacramento, California 95814
Attention: Senior Investment Officer, Real Estate
Tel: 916-795-3400
Fax: 916-795-3965**

The following outlines the complaint, investigation and resolution process:

Step 1 - The complaining party contacts CalPERS Staff in writing, stating the complaint. The written complaint must document the specific allegation(s), the specific provision(s) in the RCP that is alleged to be violated, the property address, date, and parties involved. Please include any other information that may be pertinent to the matter.

Step 2 - Staff will log the written complaint into the Responsible Contractor Complaint/Concern Log. The Complaint/Concern Log is maintained by the Staff. After the written complaint has been filed and logged into the Responsible Contractor Complaint/Concern Log, the complaining party may request in writing a copy of that contractor's completed Self-Certification Form.

Step 3 - The Staff will contact the complaining party to gather additional information to fully understand the nature of the complaint(s). Also, upon receipt of a complaint, CalPERS may, in its discretion, disclose to the Manager or Delegate against which the complaint has been filed, the nature of the complaint, may provide a copy of the written complaint to the Manager or Delegate in question and may disclose the Delegate's Self-Certification Form to the complaining party.

Step 4 - The Staff will work with the Manager that oversees the affected property (the subject of the complaint), to fully understand the matter. Such investigation may include, but not be limited to, determining whether the alleged conduct violates the RCP, reviewing payroll and employee records, Responsible Contractor certifications and the alleged violator's conduct. CalPERS will contact the complaining party before completion of the investigation process to make sure it fully understands the complaint and charges and to attempt to clear up any factual disputes.

Step 5 - Upon completion of the investigation, the Staff will issue a decision on the matter. If a violation of the RCP is deemed to have occurred, that finding will be communicated to the parties involved.

Step 6 - If the Staff deems it necessary, a meeting may also be arranged with the complaining party to address any other outstanding concerns or to better inform the complaining party on how it can be more pro-active in increasing Responsible Contractor bidding on CalPERS related contracts. Appropriate parties involved in the matter will be invited to attend the meeting, including: CalPERS real estate staff, CalPERS legal staff, the affected Manager and the complaining party.

Responsible Contractor Program (“RCP”) Policy

MANAGER’S CERTIFICATE OF COMPLIANCE AND ANNUAL REPORT ON MANAGER’S RESPONSIBILITIES

GENERAL INFORMATION

Company Name	
Address	
City	
Telephone Number ()	Fax Number ()

A. MANAGER’S CERTIFICATION OF COMPLIANCE WITH RESPONSIBLE CONTRACTOR POLICY

On behalf of the above-named company, I certify that for the fiscal year ending June 30, 20____, _____
(Manager’s Name) and its Delegates and their Sub-Delegates (as defined in the Responsible Contractor Program Policy)
have complied, to the best of my knowledge, with the Responsible Contractor Policy

Signature _____	Date _____
Name (please print) _____	Title _____

B. MANAGER’S ANNUAL REPORTING ON ADMINISTRATION OF RESPONSIBLE CONTRACTOR POLICY

Please provide the information called for on the Annual Report Form found at the following Internet site:
(<http://review.calpers.ca.gov/eip-docs/investments/policies/annual-report.xls>) and provide all information requested by
CalPERS.