

San Diego County Employees' Retirement Association Responsible Contractor Policy

I. Introduction

The San Diego County Employees Retirement Association (SDCERA) has a deep interest in the condition of workers employed by the Association and its advisors. The Association, through the Responsible Contractor Policy ("Policy") described below, 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 the Association's real estate investments. The Association endorses small business development, market competition, and control of operating costs. The Association believes that an adequately compensated and trained worker delivers a higher quality product or service.

II. Definition of a Responsible Contractor

A Responsible Contractor, as used in this Policy, is a contractor or subcontractor who pays workers a fair wage and a fair benefit as evidenced by payroll and employee records. What constitutes a "Fair wage" and a "Fair benefit" depends on the wages and benefits paid on comparable real estate projects, based upon local market factors, that include the nature of the project (e.g., residential and commercial; public and private), comparable job classifications, and the scope and complexity of services provided.

III. Initial Requirements of the Responsible Contracting Policy

- A. **Duty of Loyalty:** Notwithstanding any other considerations, assets shall be managed for the exclusive benefit of the participants and the beneficiaries of SDCERA. SDCERA's, as well as its advisors', duty to the participants and their beneficiaries shall take precedence over any other duty.
- B. **Prudence:** SDCERA Board, staff and advisors are charged with the fiduciary duty to exercise 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:** Contractors and their subcontractors for construction, maintenance, and all services shall be selected through a competitive bidding and selection process. The purpose of this provision is to encourage fair competition and to actively seek bids from all qualified sources within an area, particularly those identified as Responsible Contractors.
- E. **Local, state, and national laws:** All advisors and their subcontractors shall observe all local, state, and national laws (including by way of illustration those pertaining to insurance, withholding taxes, minimum wage, health and occupational safety).

IV. Selection Preference of a Responsible Contractor

If Initial Requirements A through E (Section III above) are satisfied, SDCERA expresses a preference that Responsible Contractors be hired.

V. Transition, Enforcement, Monitoring, and Administration

- A. Applicable Investments: This policy shall apply to all applicable real estate investments where SDCERA has majority control. This Policy specifically excludes all real estate investments where SDCERA lacks majority ownership.
- B. Pre-existing real estate investments: Real estate investments held by SDCERA as majority owner on the effective date of this Policy will not be amended to incorporate this Policy, but voluntary compliance is recommended.
- C. Notification: SDCERA shall provide all applicable current and prospective real estate advisors with a copy of this Policy.
- D. Solicitation Document: All requests for proposals and invitations to bid covered by this Policy shall include the terms of this Policy. Responses by bidders shall include information to assist the advisor or property manager staff in evaluating a bid.
- E. Contracts and Renewals: All contracts entered into after the effective date of this Policy and pertaining to applicable real estate investments, including renewals of such contracts, should include the terms of this Policy.
- F. Responsibilities: The responsibilities of consultants, SDCERA's staff, advisors, property managers, and contractors are defined as follows:
 1. Consultant
 - a. Review the advisors annual reports regarding compliance with the policy.
 - b. Provide a summary compliance report to SDCERA staff.
 2. SDCERA Staff
 - a. Review the consultants annual report regarding compliance with the policy.
 - b. Maintain a current contact list of all applicable SDCERA properties and provide this list to inquiring parties.
 - c. Periodically report to Investment Committee on compliance.
 3. Advisors
 - a. Communicate the Policy to all property managers.
 - b. Review a contract listing for each property prepared by each property manager.
 - c. Provide annual reports to SDCERA staff, describing their own efforts, as well as those by the property managers.
 - d. Monitor and enforce the Policy including investigation of potential violations.
 - e. Maintain a simplified bid summary for each applicable contract. The summary should include identifying contract, successful bidder, and bidder's status as Responsible Contractor.
 4. Property Managers
 - a. Communicate in bid documents the Responsible Contracting Policy to contractors seeking to secure construction or building service contracts, including maintenance contracts.
 - b. Communicate the Policy to any interested party.
 - c. Ensure there is a competitive bidding process which is inclusive of potentially eligible Responsible Contractors.

- d. Require bidders to provide a Responsible Contracting Self Certification on a form approved by SDCERA which identifies a contractor as a "Responsible" or "non-Responsible" contractor as defined by the Policy.
- e. Prepare and send to advisors a contract listing for applicable service contracts for each property under management. The building trades and service trades and other potential bidders will have access to this list.
- f. Provide advisors with a simplified bid summary for each contract.
- g. Provide property level annual report information to advisor.
- h. Maintain documentation for successful bidders.
- i. Seek from trade unions/service unions input in the development of Responsible Contractor lists.
- j. Maintain list of any interested Responsible Contractors. (Names, addresses and telephone numbers.)

5. Contractors

- a. Submit a simple Responsible Contracting Self Certification form to the property manager.
 - b. Communicate to subcontractors the Responsible Contracting Policy.
 - c. Provide to property manager Responsible Contractor documentation.
- G. Outreach: SDCERA staff will retain a current property list of all applicable SDCERA properties. The list includes the property name, address, property advisor, property manager, and related telephone numbers. The SDCERA staff will furnish this list to anyone having a bona fide interest who requests a copy. Actual contract inquiries will be directed to the property level. Property managers shall provide solicitation documents to any potential contractor who has, in writing, expressed an interest in bidding for the relevant contract.
- H. Minimum contract size: The Policy shall absolutely apply to all contracts of a minimum size of \$25,000. Minimum contract size refers to the total project value of the work being contracted for and not to any disaggregation by trade or task. For example, a \$120,000 contract to paint three buildings in a single office complex would not be treated as three \$40,000 contracts.
- I. Applicable Expenditure Categories: The Policy shall apply to tenant improvements, capital expenditures, and operational service contracts (such as cleaning).
- J. Fair Wage, Fair Benefits, 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 with regard to 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. In determining "fair wages" and "fair benefits" with regard to 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.
- K. Annual Review and Data Forms: A review of Advisors' compliance with the Policy will be conducted by SDCERA staff annually. Suggested formats for Advisor, Property Level and Self-Certification Forms are found in Appendix A, B & C, respectively.
- L. Competitive Bidding: The property manager must ensure that there is a competitive bidding process which is inclusive of potentially eligible Responsible Contractors. Although the Policy does not require hiring union workers, the trade unions will be invited to (1) deliver to the property manager or advisor lists of names and phone numbers of Responsible Contractors including those Responsible Contractors who

have expressed any interest in bidding, and (2) continually monitor the local markets to update the lists. Property managers shall maintain these lists supplied by the trade unions.

- M. Neutrality: Notwithstanding fiduciary responsibilities, SDCERA supports a position of neutrality in the event there is a legitimate attempt by a labor organization to organize workers employed in the construction, maintenance, operation, and services at a SDCERA owned property. Resolution of any interjurisdictional trade disputes will be the responsibility of the trades and the various state and national building trades councils. This Policy does not call for any involvement by SDCERA, the advisors, property managers, or contractors in interjurisdictional trade disputes.
- N. Enforcement: The Association will notify the advisor if non-compliance with this Policy is found. If continued non-compliance is experienced, its pattern of conduct will be reviewed along with other information when it reviews the advisor or property manager contract for possible renewal.

IV. SDCERA does not require that advisors, property managers, or contractors use any particular system for compliance. However, from time to time, SDCERA staff may disseminate information and suggestions regarding efficient ways to comply with this Policy.

Responsible Contractor Advisor Consolidated Report

For the Period:
 Advisor:
 Property Name:

A. OPERATIONAL CONTRACTS

Property Name	Address	City/State/Zip	Payments to Responsible Contractors	Total Qualified Operating Expenditures	Payments as a Percent of Total Qualified Operating Expenditures
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

B. TENANT IMPROVEMENTS AND OTHER CAPITAL EXPENDITURES

Property Name	Address	City/State/Zip	Payments to Responsible Contractors	Total Qualified Property Tenant Improvement and Capital Expenditure Dollars	Payments as a Percent of Total Qualified Tenant Improvements and Capital Improvements
1					
2					
3					
4					
5					

Responsible Contractor
Property Line Report

For the Period:
Supervising Advisor:
Property Name:

A. OPERATIONAL CONTRACTS

Contractor Name	Address	City/State/Zip	Contact Name	Contact Phone Number	Type of Expense	Payments to Responsible Contractor
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

Total Payments to Responsible Contractors:
Total Qualified Operating Expenditures*:

Responsible Contractor Total Payments as a percentage of Qualified Operating Expenditures:

B. TENANT IMPROVEMENTS AND OTHER CAPITAL EXPENDITURES

Contractor Name	Address	City/State/Zip	Contact Name	Contact Phone Number	Type of Expense	Responsible Contractor
1						
2						
3						
4						
5						

Total Payments to Responsible Contractors:
Total Qualified Tenant Improvements and Other Capital Expenditures

Total Responsible Contractor Payments as a percentage of Tenant Improvements and Other Capital Expenditures

C. GRAND TOTAL PAYMENTS TO RESPONSIBLE CONTRACTORS
GRAND TOTAL QUALIFIED EXPENDITURES
GRAND TOTAL PAYMENTS TO RESPONSIBLE CONTRACTORS AS PERCENT

* Qualified Expenditures are those services or tenant improvements and other capital expenses greater than \$25,000. Total qualified expenditures include payments to both responsible contractors and those made to the responsible contractor definition.

Certification of Responsible Contractor Status

GENERAL INFORMATION		
Company Name		
Address		
City	State	Zip Code
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		
Property Name and Address		

Responsible Contractor Status (Refer to definition below)
Please check one of the following boxes:
1 <input type="checkbox"/> Meets all Responsible Contractor Requirements 2 <input type="checkbox"/> Meets some of the Responsible Contractor Requirements 3 <input type="checkbox"/> 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:

OWNER'S CERTIFICATION OF RESPONSIBLE CONTRACTOR STATUS

On behalf of the above-named company, the undersigned certifies that the information and responses 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

Responsible Contractor Definition

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