



Action

Agenda Item 7c

November 16, 2015

ITEM NAME: Contract Administration: General Pension Board Investment Consultant – Key Person Change

PROGRAM: Investment Office -- Total Fund

ITEM TYPE: Independent Oversight – Action

REQUEST FOR COMMITTEE ACTION

The Investment Committee (Committee) is asked to consider whether to approve (A) the removal of Julia Bonafede as a “Key Person” under the consulting agreement dated effective July 1, 2015 (Agreement) between CalPERS and Wilshire Associates Incorporated (Wilshire), and (B) the proposed substitution of a new “Attachment B-1” to the Agreement, in the form attached hereto (Attachment 1), specifying Andrew Junkin, Thomas Toth, and Steve Foresti as the Key Persons going forward.

EXECUTIVE SUMMARY

Julia Bonafede has recently departed Wilshire. Ms. Bonafede, as president of Wilshire Consulting, was a Key Person of the team dedicated to providing the services of the General Pension Board Investment Consultant under the Agreement. Andrew Junkin, a Managing Director and Principal of Wilshire and a current Key Person, has succeeded Ms. Bonafede as President of Wilshire Consulting. Steve Foresti and Thomas Toth are both Managing Directors and Principals of Wilshire and current Key Persons.

The purpose of the Key Person provision in the Agreement is to provide the Committee the right to approve a change in those Wilshire personnel considered most important to the CalPERS account. Pursuant to Section 4 of the Agreement, Required Notice of Contractor Changes, Wilshire provided CalPERS with formal notice of the Key Person change by letter dated October 29, 2015 (Attachment 2).

The current list of Key Persons, which is attached as Attachment B to the Agreement, lists the entire team of Wilshire personnel who may work on CalPERS matters from time to time. Wilshire proposes to replace the current “Key Person” list with a list designating Andrew Junkin, Thomas Toth, and Steve Foresti, only, as Key Persons, in lieu of the entire Wilshire support team, in order to clarify the parties’ intent consistent with usual business practices.

If the Committee approves the foregoing change in Key Persons, staff will amend the Agreement to replace the existing Attachment B to the Agreement with the proposed “Attachment B-1” designating Andrew Junkin, Thomas Toth, and Steve Foresti as Key Persons.

STRATEGIC PLAN

This item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent, and innovative organization.

INVESTMENT BELIEFS

This item supports CalPERS Investment Belief 4 that long-term value creation requires effective management of three forms of capital: financial, physical and human.

BACKGROUND

Wilshire has served the Committee as primary General Pension Board Investment Consultant since 1983. In December 2014, Wilshire was selected by the Committee, through a competitive bidding process, to continue in such capacity. The role of the Consultant, acting as an independent adviser to the Committee by providing recommendations and advice on asset allocation and investment policy, programs, and reviews, is integral to the operation of the Fund. The Committee relies on the Consultant, in the performance of its duties, to remain an independent and objective resource.

ANALYSIS

Wilshire has been acting as the General Pension Board Investment Consultant for more than 30 years and has expressed its commitment to making the best talent and resources available to CalPERS. While the departure of Ms. Bonafede, a significant resource to the Committee, is regrettable, Wilshire is of the view that its team has the depth and resources required in order for it to continue in this important consulting role.

BUDGET AND FISCAL IMPACTS

Not applicable

BENEFITS/RISKS

Not applicable

ATTACHMENTS

Attachment 1 – Proposed “Attachment B-1” to Wilshire Agreement
Attachment 2 – Wilshire: Notice of Change in Key Persons

WYLIE TOLLETTE
Chief Operating Investment Officer

MATTHEW JACOBS
General Counsel