# Investment Committee

California Public Employees' Retirement System

## 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

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**Andrew Junkin, CFA, CAIA,** ***President, Wilshire Consulting.*** Andrew Junkin is President of Wilshire Consulting and is a member of Wilshire's Board of Directors and Wilshire Consulting's Investment Committee. Mr. Junkin leads over 90 consulting professionals who serve Wilshire's consulting clients, and provides strategic leadership to Wilshire Consulting.

Mr. Junkin joined Wilshire in 2005. Throughout his tenure at Wilshire, he has worked directly with large institutional investors of all types: public and corporate defined benefit plans, foundations, endowments and insurance companies. He has 20 years of investment experience with the last 19 years in the consulting industry. Prior to joining Wilshire, he was director of research and senior consultant at Asset Services Company where he provided advice to institutional investors. Mr. Junkin began his career as a financial consultant with Merrill Lynch in Oklahoma City. He earned a B.S. from Oklahoma City University, attended business school at the Price College of Business at the University of Oklahoma and earned his MBA from The Wharton School of the University of Pennsylvania. Mr. Junkin holds the Chartered Financial Analyst and Chartered Alternative Investment Analyst designations.

**Steve Foresti,** ***Chief Investment Officer***

Steve Foresti is the Chief Investment Officer of Wilshire Consulting. Mr. Foresti works in Wilshire's Santa Monica, California office and heads Wilshire Consulting's research efforts, including the development of asset class assumptions for use in Wilshire's asset allocation process. Throughout his tenure at Wilshire, he has worked directly with large institutional investors of all types: public and corporate defined benefit plans, foundations, endowments and insurance companies. Mr. Foresti serves as chair of Wilshire Consulting's Investment Committee, chair of Wilshire's 401-k Committee and is a member of Wilshire's Manager Research Oversight Committee and Wilshire's Index Oversight Committee.

Mr. Foresti joined Wilshire in 1994 and brings more than 22 years of capital market experience. Prior to joining Wilshire Consulting, Steve spent nine years with Wilshire Analytics where he developed and supported quantitative attribution and risk models within the Wilshire Quantum Series$^{SM}$ of investment analytics. Additionally, Mr. Foresti made major contributions to the creation of the following analytic models:

- Wilshire's U.S. Equity Risk Model
- The Wilshire GR6 Equity Risk Model

Before joining Wilshire, Mr. Foresti worked in Morgan Stanley's Mutual Fund Division (formally Dean Witter Inter-Capital) where he acted as a liaison between the firm's portfolio management team and sales force. Mr. Foresti has also authored papers on a broad range of topics across both the traditional and alternative investment areas. He holds a B.S. in Finance from Lehigh University and a M.B.A. in Finance & Accounting from the University of Texas at Austin.

**Thomas Toth, CFA,** ***Managing Director.*** Tom Toth, a Managing Director with Wilshire Associates, is a member of Wilshire Consulting. He provides client service for a variety of pension, endowment, and foundation clients, working out of the Denver office. Mr. Toth currently sits on both the hedge fund and private equity committees, where he is responsible for the evaluation and monitoring of a variety of products in the alternative investment arena.

Mr. Toth joined Wilshire in 2004 and initially worked in Wilshire Consulting's Investment Research Group, where he was responsible for writing white papers on topics such as hedge funds, private equity, and infrastructure. Prior to joining Wilshire, Mr. Toth worked in New York for fixed-income asset manager, Fischer Francis Trees and Watts. Mr. Toth earned his B.A. from the University of California, San Diego and an MBA with a concentration in finance / capital markets from the USC Marshall School of Business. Mr. Toth also holds the Chartered Financial Analyst designation.

Wilshire

October 29, 2015

Mr. Henry Jones
Chairman, Investment Committee
c/o Mr. Wylie Tollette
Chief Operating Investment Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95811

Re: Change in Key Personnel

Dear Mr. Jones:

On behalf of Wilshire Consulting, I want to thank you for our thirty-plus year partnership with CalPERS. Given the recent departure of Julia Bonafede, we would like to describe how we plan to continue to provide the same exceptional service as the Board's General Pension Consultant.

Wilshire has always prided ourselves on the depth of resources that we have brought to bear on the CalPERS relationship, given CalPERS' stature in the global investment landscape and its importance to our firm. CalPERS has had and will continue to have access to the best and brightest talent in Wilshire.

As you know, I have been a lead consultant for CalPERS for the past nine years and have worked on the CalPERS relationship since 2005. Steve Foresti, Wilshire Consulting's CIO, will play a greater role in our partnership with CalPERS. Tom Toth, a member of the CalPERS consulting team since 2006 and a regular participant in the Investment Committee meetings, will continue to play an integral role on our team. Additionally, Patrick Lighaam, who heads Wilshire Consulting's risk management effort, will become involved as CalPERS continues to evolve into a risk managed and aware organization. Patrick will be attending the November Investment Committee meeting and I look forward to introducing him to you and the Investment Committee.

In addition, Wilshire expects to continue to grow our staff and incorporate them into the CalPERS relationship as particular skill sets are identified that can bolster our services to CalPERS.

This letter serves as our official notification of the change in key personnel, pursuant to the terms of our contract. We request that the key personnel for our relationship be amended to be Andrew Junkin, Steve Foresti, and Thomas Toth. Attached you will find the biographies for the proposed key persons and the rest of the team that will continue to work with CalPERS.

Please feel free to contact me if you have any questions or concerns regarding this request at ajunkin@wilshire.com or 310-451-3051.

We look forward to continuing our long-term and mutually beneficial partnership.

Sincerely,

Andrew Junkin
President, Wilshire Consulting

cc: Ms. Anne Stausboll, Mr. Ted Eliopoulos