Agenda Item No. J-D2
Board Meeting May 8, 2013
Reviewed by
Retirement Administrator

REPORT TO THE JOINT RETIREMENT BOARDS

May 1, 2013

FROM: STANLEY L. McDIVITT, Retirement Administrator

SUBJECT: CONSIDERATION OF FINAL INVOICE AMOUNT FROM WILSHIRE ASSOCIATES

BACKGROUND

On December 6th before the news agencies started to publish information, staff personally advised Tom Toth and Wilshire Associates of the Boards' unanimous decision to schedule due diligence visitations in January with Meketa, NEPC and Wurts & Associates as our finalists in the consultant search. Then on December 31, 2012, we provided "official" notification to Julia Bonafede and Tom Toth of the Boards' termination of its Agreement with Wilshire Associates which will be effective January 31, 2013.

For planning purposes, Mr. Toth asked whether they would be needed at the January or February meetings. We advised that the only outstanding item would be the 4th Quarter Performance Analysis which could be provided to us without a formal Wilshire presentation. Wilshire was notified and requested to provide prior performance information to our new consultant, NEPC, on January 31, 2013. Contact information was exchanged.

We gave Wilshire Associates more than a thirty day written notice of termination, paid the firm full retainer fees through January 31, 2013, in the amount of $19,320, and did not ask for any services during the period between February 1st and February21st except for Wilshire to complete the December 31, 2012, quarterly performance analysis reporting and provide the historical performance data to our new investment consulting firm, NEPC. We reasonably expected that the performance reports for December 31, 2012, and prior period historical data, would be transmitted to NEPC on or before the same date that the 4th Quarter 2012 Performance Analysis report was provided to CFRS.

The post-termination fees paid to Wilshire ($13,626) were for completion of the December quarterly report provided on February 21st and the transfer of performance information to NEPC which should have been furnished immediately upon completion of printing and delivery of the quarterly report to CFRS.

Contract language concerning fees for services after the termination date do not clearly delineate differences between work in progress (quarterly performance reports) and requests for full retainer services within a period following termination of the contract.

At issue are fees in the amount of $11,679.43 for the period February 22 through March 11, 2013. Wilshire wants to extend the work period at a full retainer fee level to March 11, 2013, when they actually emailed performance data to NEPC.

BOARD ACTION: ☐ APPROVED ☐ LAID OVER ☐ REC REVIEW

Report to the Joint Boards
May 1, 2013
Consideration of Amount of Final Invoice from Wilshire

ISSUES

We have paid Wilshire Associates through February 21st ($13,626) and it would now be appropriate for the Boards to determine whether Wilshire Associates should be compensated for the period between February 22nd and March 11th per their invoice. The additional billing amount would be $11,679.43 for the period between February 22nd and March 11th.

STAFF RECOMMENDATIONS

Typically retirement systems do not compensate prior investment consulting firms, custodians or other professions for the transition of performance information to a successor firm.

We also believe that providing historical performance data to NEPC takes only a minimal effort and should have been completed in a timely manner consistent with the delivery of the 4th Quarter Reports. In our opinion, Wilshire delayed in providing the performance data to NEPC until March 7th while attempting to bill the Systems at a full retainer fee level. We consider the additional billing time abusive and unreasonable.

Staff is recommending that the Boards consider the issue carefully. We recommend that the Boards consider that the additional work period complete as of the delivery of the 4th Quarter Performance Reports on February 21st.

BOARD ACTION: ☐ APPROVED ☐ LAID OVER ☐ REC REVIEW

RETIREMENT
ADMINISTRATOR

STANLEY L. MCDIVITT

April 11, 2013

Jae Lee, Associate|Accounts Receivable
Wilshire Associates Incorporated
1299 Ocean Avenue, Suite 700
Santa Monica, California 90401-1085

Dear Jae,

On February 21, 2013, the City of Fresno Retirement Systems received our 4th Quarter 2012 Performance Reports from Wilshire Associates. With the completion and delivery of those reports the extended services from Wilshire were completed. We do not except the March 11th 2013 date in your invoice as the date for completion of services.

Therefore, we have prorated the annual fee using the rate effective May 1, 2012 of $233,595 for services received during the transition period of February 1st – 21st, 2013, calculated as follows:

$233,595 Annual Fee/4-quarters= 58,398.75/90 days=$648.88 per day X 21 days = $13,626.38 fee for 21 additional days.

Enclosed please find our final payment in the amount of $13,626.38 for the transition services performed through the date of final delivery of services on February 21, 2013.

Sincerely,

Stanley L. McDivitt
Retirement Administrator

Cc: Kathleen Riley, Assistant Retirement Administrator
Tom Toth, Wilshire Associates

Check to Kathleen Please

Request for Payment

City of Fresno Retirement Systems
2828 Fresno Street, Suite 201
Fresno, CA 93721-1327
Phone: (559) 621-7080
FAX: (559) 621-7081

13-320 ✓
4/16/13

PAY TO THE ORDER OF:

Date: *April 12, 2013*

Wilshire Associates Inc
1299 Ocean Ave, Suite 700
Santa Monica, CA 90401-01085

FUND	ACCOUNT	DESCRIPTION	AMOUNT
60102	53302	INVCIT027FINAL 2/1-21/13 Pension Consulting Svc	6,299.18
60101	53302	INVCIT027FINAL 2/1-21/13 Pension Consulting Svc	7,327.20
		Client ID: CIT027	
		To Kathleen	
		FILED 4/23/13	

TOTAL 13,626.38

Prepared by: *Date*

K Espiritu 4/12/13

Approved by: Kathleen Riley *Date:* 4-12-13

Wilshire Associates Incorporated
1299 Ocean Avenue, Suite 700, Santa Monica, CA 90401-1085
Phone: (310) 260-7369, Fax: (310) 458-4471 Federal ID: 95-2755361

Invoice Date: 3/29/2013
Invoice Number: INVCIT027FINAL
Client ID: CIT027

CITY OF FRESNO RETIREMENT SYSTEMS
2828 FRESNO STREET, SUITE 201
FRESNO, CA 93721
ATTN: MR. STANLEY McDIVITT

For Billing Inquiries:
E-mail billing@wilshire.com
or call 310-260-7369

Billing for February 1, 2013 to March 11, 2013

	SERVICES	FEE	TAX	SUBTOTAL
CS	PENSION CONSULTING - 2/1/13 - ~~3/11/13~~ 2/21/2013	$26,175.01	$0.00	~~$26,175.01~~ 13,626.38
	Pursuant to contract section 8(b) and 8(d), This is our final invoice for services rendered through March 11th as part of the transition period to the Systems' new consultant.			
	Total Amount Due:			~~$26,175.01~~ $ 13,626.38

$233,595 (annual fee)/4 (Qtrs) =
$58,398.70/90 days =
$648.88 x 21 days = $13,626.38

OK
KAR
4-10-13

To insure proper credit always reference the invoice(s) and client code on your check or wire payment.

PAYMENT COUPON

Below is our bank information if you choose to pay by wire.

Beneficiary: Wilshire Associates Incorporated
Bank: Union Bank
Address: 9460 Wilshire Blvd., 2nd Floor, Beverly Hills, CA 90212
Account#: 8590007308
ABA Routing #: 122000496
Swift Code: BOFCUS33MPK

Please remember to include any bank related wire fees with your payment.
Otherwise, please detach payment coupon and send with check payable to:

WILSHIRE ASSOCIATES INCORPORATED
Attn: Accounts Receivable
1299 Ocean Avenue, Suite 700
Santa Monica, CA 90401-1085

Invoice Date: 3/29/2013
Invoice Number: INVCIT027FINAL
Client ID: CIT027
Cycle Code: I-MO-28
Amount Due: **$26,175.01**

Amount Enclosed: _____