



Memorandum

**TO: Board of Administration for the
Federated City Employees'
Retirement System**

FROM: Benjie Chua Foy

**SUBJECT: 1st Amendment to Reed Smith
Agreement**

DATE: September 11, 2023

Approved

B. Hayman

Date 9/13/2023

RECOMMENDATION

Discussion and action authorizing the CEO to negotiate and execute the first amendment to the agreement ending on June 30, 2025, for legal services between the Board of Administration (the Board) for the Federated City Employees' Retirement System (the System) and Reed Smith to add \$600,000 to increase the maximum contract from \$1 million to \$1.6 million.

BACKGROUND

Reed Smith has been the Board's general and investment counsel since March 2012. In May 2020, a contract was entered into between the Board of Administration and Reed Smith for an amount not-to-exceed \$1 million for five years ending June 30, 2025, following the completion of a Request for Proposal (RFP) for legal services. The total contract amount was based on the following expenditures for the previous five years with a buffer for contingencies:

Fiscal Year	General Counsel	Hourly / Fiduciary	Total Expenses
7/1/15-6/30/16	\$93,975	\$80,798	\$174,773
7/1/16-6/30/17	\$93,975	\$118,847	\$212,822
7/1/17-6/30/18	\$103,125	\$68,085	\$171,210
7/1/18-6/30/19	\$103,125	\$13,198	\$116,323
7/1/19-6/30/20	\$103,125	\$37,948	\$141,073
Total	\$497,325	\$318,876	\$816,201
Average	\$99,465	\$63,775	\$163,240

The type of services provided by Reed Smith has been categorized into two groups: general counsel and hourly/fiduciary services. General counsel monthly invoices are set at a fixed price with 3% increases per year. They include 10 hours of legal services, including any hours over 5 hours in attendance at the regular monthly Board meeting, whereas hourly/fiduciary invoices are billed at the prevailing attorney's rate which range from \$617 to \$737 for fiscal year 2023-2024. The rates have been and will continue to increase 3% per year.

ANALYSIS

Since the inception of the new contract with Reed Smith, the System has spent the following through June 30, 2023, with two years left on the five-year contract.

Fiscal Year	General Counsel	Hourly/Fiduciary	Total Expenses
7/1/20-6/30/21	\$124,200	\$165,989	\$290,189
7/1/21-6/30/22	\$117,271	\$245,635	\$362,906
7/1/22-6/30/23	\$120,791	\$123,229	\$244,020
Total Expenses	\$362,262	\$534,853	\$897,115
Average	\$120,754	\$178,285	\$299,039

The chart below shows the expenditures for hourly/fiduciary services for the past two fiscal years:

Description	FY21-22	FY22-23
Member claim	\$59,987	\$11,105
Member writ	\$50,667	\$28,716
Actuarial audit discrepancies	\$25,095	\$430
Medicare mandate	\$21,659	\$4,582
Board meeting and agenda	\$9,597	\$4,797
Internal audit, contracts, strategic planning	\$5,040	\$32,298
Personnel policies and JPC compensation issues	\$4,865	\$18,043
Miscellaneous	\$68,725	\$23,258
Total Hourly/Fiduciary Expenses	\$245,635	\$123,229

Based on what has been spent and the projected expenditures for the next two years, the total additional compensation requested for the original contract is shown below. This includes contingencies for unknowns, as well as the annual 3% increases in rates.

Description	Amount
Current contract maximum	\$1,000,000
Amount available from the original contract for the rest of the term	\$102,885
Projected expenditures for 2 years based on average of past three years	\$598,000
Contingency amount to account for unanticipated expenditures	\$105,000
Total amount available for expenditures for two years	\$703,000
Less: amount available in original contract	(\$103,000)
Amount to add to first amendment of the contract	\$600,000

CONCLUSION

Staff recommends that the Board approve authorizing the CEO to negotiate and execute the first amendment to the agreement between the Board and Reed Smith to add \$600,000 to increase the maximum contract from \$1 million to \$1.6 million.

Benjie Chua Foy

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Accounting Division Manager