

STATEMENT OF WORK

Contractor agrees to provide for CalPERS, Primary Consultant services in accordance with the terms and conditions set forth herein.

A. Special Advisor

1. Monitor and review how the Investment Office staff is adhering to CalPERS investment policy.
2. Monitor global markets and economic conditions, and recommend modification to portfolio structure and asset allocation as warranted and prepare a written analysis of their observations and recommendations as requested by the Investment Committee.
3. Advise the Board, Investment Committee and staff on new investment vehicles and techniques or major changes in existing practices with the industry, and upon request, prepare a comprehensive analysis and recommendation of these activities for CalPERS.
4. Annually perform a comprehensive review of each internal investment management program. Benchmark the internal programs against industry standards and best practices. Provide a written report to the Committee.
5. Attend all CalPERS Board meetings including committee and subcommittee meetings, as requested by the Board.

B. Communication and Reporting

1. Provide comments, written reviews and recommendations to keep the Board informed and abreast of pertinent information regarding the total portfolio.
2. Provide ongoing written reporting to the Board with regular reviews and opinions on the performance progress of the fund.
3. Provide periodic written program reviews, research, detailed market analysis and trends, and advice on specific pension topics, as requested.
4. Review and provide written opinions as an independent fiduciary on all reports prepared by staff.

C. Policy

1. Annually evaluate CalPERS investment asset allocation and investment objectives and provide a written report with recommendations to the Investment Committee.

2. Complete work as required in preparation of the asset allocation analysis for the asset/liability workshop. Asset allocation analysis should include working with CalPERS actuarial consultant and internal actuarial staff on asset allocation modeling (including methodology and specifics) linked to funding and liability management. In addition, review and comment on Investment Office's asset allocation analysis for the workshop.
3. Review and comment on all investment opportunities, asset class annual plans, new initiatives and agenda items and provide a written report as requested by the Investment Committee.
4. Review, comment, and provide an independent recommendation on investment policies drafted by staff, outside advisors, or specialty consultants to ensure overall consistency of CalPERS policies. Work with the Policy Subcommittee and Investment Committee in the review, analysis, and revision of investment policies.

D. Performance Reporting

1. Provide CalPERS with a comprehensive performance report for the fund with sufficient level of detail meeting the Investment Committee's needs, this report should include individual asset class performance, individual portfolio performance, total fund, a report such as the Wilshire large fund universe, affiliate funds and other funds administered by CalPERS, in a format prescribed by CalPERS. The report will include return attribution characteristics, risk analysis and a global economic outlook.
2. Review, opine, and provide recommendations on the total fund policy benchmark.
3. Review and approve all requests or changes for portfolios, benchmarks or composites. Review and provide written opinions of custom benchmarks for domestic equity, international equity, and global fixed income portfolios as requested by the Investment Committee and Investment staff.
4. Review, approve and provide written comments on annual staff performance plans. Quarterly verify all performance measures and calculations. Complete year-end calculation on quantitative measures in staff performance plans. Analyze for reasonableness the benchmarks, measurements and appropriateness of all factors within staff performance plans.

E. Manager Search and Selection

1. Maintain a broad database of external investment managers including their philosophies, organizations, performance, and client bases. Manager

information should be available for a wide range of managers including equity, bond, international, currency overlay, options and futures managers, as well as small and emerging and disabled veteran owned firms.

2. Review with the Investment Committee and CalPERS staff the System's needs for particular manager styles and, as requested by the Investment Committee, screen prospective managers for suitability with respect to those needs.
3. In the event the Investment Committee should engage in a manager search during the contract terms, assist staff as requested, which may include but not be limited to, development of Requests for Proposals (RFP's), development of evaluation factors and methods, preparation of background material, and interviewing managers.

F. Manager and Program Monitoring

For CalPERS existing and any new managers:

1. Evaluate managers' performance consistent with their benchmarks/performance objectives (including style benchmarks), guidelines, and risks undertaken.
2. Advise CalPERS staff and the Investment Committee on questions or issues that arise in the course of administering the external manager programs. For example, advice on appropriate benchmarks, investment guidelines, or fee structures for various external managers.
3. Assist CalPERS staff in reviewing written guidelines to establish cause for termination. As needed, prepare analyses on problem managers.
4. As requested, provide reports to the Investment Committee (e.g. analysis and trends in external money management).
5. As requested, provide commentary on manager termination recommendations.
6. Advise CalPERS staff and the Investment Committee on questions or issues that arise in the course of administering the external manager programs on strategic issues related to structure, policy and benchmarks.
7. For CalPERS existing and new Hybrid Investments, which are those investments (outside the AIM, Real Estate and ILAC programs) that are structured in a limited partnership (LP), limited liability corporate (LLC) form, or as an individual security form, such as Collateralized Debt Obligations (CDO), Collateralized Loan Obligations (CLO), Credit Linked Note (CLN), Special Purpose Entity (SPE), or Structured Investment Vehicle (SLV).
 - a. Review and opine on staff due diligence analysis.

- b. Provide written recommendation to the Committee and Chief Investment Office on the investment merits of proposed investments.
- c. If approved for funding and prior to execution, review and opine on the investment terms and conditions within associated investment documents.
- d. For all funded and active investments, provide monitoring services with respect to applicable investment policies and their ongoing viability. In addition, include performance analysis in their quarterly performance report to the Committee.