



WILSHIRE ASSOCIATES INCORPORATED



Update to Selected Request for Proposal Questions Related to Wilshire Organization and Conflict Management

*Prepared for
California Public Employees' Retirement System*

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SECTION I

A. ORGANIZATION AND STRUCTURE

Please provide a brief overview of your firm including:

1. The year the firm was founded,

Wilshire Associates Incorporated was founded in 1972.

2. The number of years your organization has been providing pension consulting services to tax exempt organizations,

39 years. Wilshire has been providing pension consulting services to tax exempt organizations since 1981 and began working with CalPERS in 1984.

3. Brief description of the ownership structure of your firm,

As previously disclosed, Wilshire has entered into a purchase agreement with Monica Holdco (US) Inc. (the "Buyer"), a newly created entity and an affiliate of two investment firms, Motive Partners and CC Capital (together with their co-investors, the "Investor Group"), pursuant to which Wilshire will be sold to the Buyer and the Investor Group will acquire a controlling interest in Wilshire (the "Transaction"). The Transaction is anticipated to close in December of 2020. Upon closing of the Transaction, Wilshire's founder, Dennis Tito, will step down from his role as Chief Executive Officer and Chairman of Wilshire's board of directors (the "Wilshire Board"). John Hindman will also step down from his role as President and member of the Wilshire Board. Mr. Tito and Mr. Hindman will be replaced on the Wilshire Board prior to closing. Jason Schwarz, who has been with Wilshire for over 12 years and is currently Chief Operating Officer, will maintain his current role and assume the additional responsibility of President. Mr. Schwarz and the other current Wilshire Board members will continue to serve in the same capacity as before the Transaction. The parent of the Buyer, which is controlled by Motive Partners and CC Capital, will control and set the strategic direction of Wilshire. Many Wilshire employees are being given the opportunity to exchange a portion of their existing Wilshire stock for equity interests in the ultimate parent entity of the Buyer, and such parent entity also intends to offer equity options to select Wilshire employees. Following the Transaction, it is expected that Wilshire employees will own a material equity stake in Wilshire.

Additionally, and as part of the Transaction, Ares Management Corporation will become a lender to the Buyer pursuant to the terms of a customary senior secured term loan, and Ares will have no rights beyond those typical for a secured lender. More specifically, Ares does not have board or observer rights nor does Ares have any ability to influence day-to-day control over Wilshire's business or investment activities. As we previously noted, we do not believe that this relationship creates a material conflict of interest. Nonetheless, in the interest of transparency, we will be disclosing this relationship as part of our normal procedures. This means that we will be including Ares in our conflicts disclosure reports and disclosing the relationship on any Ares evaluations or relevant communications with clients.

4. Identify affiliated or subsidiary organization(s),

Please see attached.

5. Brief description of compensation structure, including equity ownership, and other details on how employees are incentivized,

Wilshire recognizes that the firm's greatest assets are its employees, and therefore must ensure they are engaged, motivated and appropriately incentivized. Currently, Wilshire compensates its employees with a competitive base salary and an annual bonus. The base salary is commensurate with industry standards. The annual bonus is based on a combination of performance against personal targets and the success of the company. It is currently contemplated that this structure will be unchanged following the close of the Transaction. In addition, many Wilshire employees are being given the opportunity to exchange a portion of their existing Wilshire stock for equity interests in the ultimate parent entity of the Buyer, and such parent entity also intends to offer equity options to select Wilshire employees to increase the retention element of the overall compensation structure. Following the Transaction, it is expected that Wilshire employees will own a material equity stake in Wilshire. Finally, Wilshire will seek to enhance benefits for employees to maintain Wilshire's position as a top-tier California employer.

6. Detail any significant developments in your organization in the past two years (ex. Changes in ownership, personnel reorganization, new business ventures, etc.).

As noted in question 3 above, Wilshire has entered into a Transaction pursuant to which a controlling stake in Wilshire will be sold to Buyer. Upon closing of the Transaction, Wilshire's founder, Dennis Tito, will step down from his role as Chief Executive Officer and Chairman of Wilshire's board of directors (the "Wilshire Board"). John Hindman will also step down from his role as President and member of the Wilshire Board. Mr. Tito and Mr. Hindman will be replaced on the Wilshire Board prior to closing. Jason Schwarz, who has been with Wilshire for over 12 years and is currently Chief Operating Officer, will maintain his current role and assume the additional responsibility of President. Mr. Schwarz and the other current Wilshire Board members will continue to serve in the same capacity as before the Transaction. The day-to-day management of Wilshire will remain vested in the Wilshire Board and Wilshire's management team. Wilshire will continue to have the following governing bodies and associated mandates:

MANAGEMENT COMMITTEE – among other things, responsible for evaluating and monitoring risks and conflicts of interest; for the avoidance of doubt, any member of the Wilshire Board also affiliated with a member of the Investor Group will not participate in conflict of interest decisions related to such member.

INVESTMENT COMMITTEE – among other things, responsible for ensuring the separation of duties and independence of Wilshire's investment processes; for the avoidance of doubt, this committee will not include any Wilshire employee that is also affiliated with the Investor Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE, AND DIVERSITY COMMITTEE – responsible for overseeing Wilshire's diversity and ESG initiatives, policies and practices.

The parent of the Buyer, which is controlled by Motive Partners and CC Capital, will control and set the strategic direction of Wilshire. The Investor Group will not participate in Wilshire's investment processes; investment recommendations and decisions will continue to be made by the Wilshire team. Specifically, Wilshire does not advise CalPERS with respect to selection of funds and managers, and our mandate with CalPERS will not change in connection with the Transaction whereby we will not make recommendations with respect to the selection of funds and managers (including those managed by CC Capital or Motive Partners). More generally, Wilshire's investment mandates will continue to be subject to strict internal controls, independent evaluation of investment opportunities, fiduciary duties and our most important guiding principle: that any investment

opportunities must be in the best interests of our clients. Additionally, to the extent CC Capital or Motive Partners holds a controlling interest in a public company (including a SPAC), that entity will be put on Wilshire's restricted list of securities and Wilshire employees will be prohibited from trading such securities in a manner consistent with Wilshire's restricted security policies and procedures.

7. Detail significant developments in your organization anticipated in the near future.

Please see information above.

8. Brief explanation of any major plans for your firm's future business plans in the pension consulting area.

As we reflected on nearly 50 years in business and look forward to the next 50, Wilshire sought ways to help drive the continued evolution of our business. Our future vision is built on the firm's solid foundation and strong commitment to delivering world-class investment solutions, decision support tools, and indexes to clients globally. The partnership with Motive Partners and CC Capital will enable us to enhance the firm's consulting, private markets and funds management offerings while thoughtfully fast-tracking the evolution of its index, benchmark, and analytics businesses. Motive Partners and CC Capital were natural partners for Wilshire. Culturally, strategically and philosophically, we are aligned and share the same vision for the firm's future and approach to client-oriented innovations. We believe their expertise and resources will allow us to enhance our infrastructure and offerings while maintaining the high-quality service our clients know to expect from Wilshire. More specifically, we anticipate the following benefits for clients:

- Significant access to the capital and the network necessary to support our focus on innovation and enhanced/expanded capabilities within Wilshire's offering while maintaining a client-focused operating model
- Easier and more frequent access to the breadth of Wilshire's capabilities, including expertise throughout the firm
- The ability for Wilshire to be a complete and more holistic partner to all clients
- More customized and differentiated offerings to meet clients' evolving needs
- Innovative new products and services to enrich our clients' capabilities
- Enhanced technology, data and analytics to ensure better insights and smoother service
- New talent to support our evolving business
- New partnerships to ensure the strongest coverage and capabilities
- International expansion to service Wilshire clients with global footprints

We also believe that the Transaction will help us be a leader in providing exposure to and promoting emerging managers. And finally, we want to continue to be a thought leader in ESG (as exemplified by our recent award of a grant from the Hewlett Foundation to do research into climate-friendly passive asset management).

9. Advise whether or not, within the past two (2) years, if your firm, or any officer or principal, has been involved in any litigation or other legal proceedings relating to your consulting activities. If so, please provide a brief explanation on the current status, and,

No, in the last two years Wilshire has not been engaged in any litigation or other legal proceeding relating to our consulting activities.

10. Using the table format below, please list your firm's lines of business and contribution to your organization's total revenue on a percentage basis, for the past three (3) years, and a projection for 2019.

Wilshire's principal lines of business encompass a diverse range of investment solutions for institutional and financial intermediary clients that include discretionary and non-discretionary implementations spanning the public and private markets, a wide range of multi asset class analytics solutions, and the Wilshire indices, including the Wilshire 5000 Total Market IndexSM.

- **Solutions for Institutional Investors** (29% of firm wide revenue in 2019)
- **Private Markets Solutions** (18% of firm wide revenue in 2019)
- **Solutions for Financial Intermediaries** (40% of firm wide revenue in 2019)
- **Analytics Solutions** (13% of firm wide revenue in 2019)

Our revenue by business unit over the past three years is provided in the table below:

DIVISION	2017	2018	2019
	% OF TOTAL	% OF TOTAL	
<i>Wilshire Analytics</i>	20%	15%	13%
<i>Wilshire Consulting</i>	31%	31%	29%
<i>Wilshire Funds Management</i>	35%	38%	40%
<i>Wilshire Private Markets</i>	14%	16%	18%
<i>Total</i>	100%	100%	100%

B. CONFLICTS AND DISCLOSURES

11. Is your firm, its parent or affiliate, registered with the SEC or a state securities regulator as an investment adviser? If so, please include your firm's ADV Disclosure Parts 1 and 2, in your firm's RFP response (if included as an exhibit or attachment, the ADV disclosure(s) will not be considered part of the twenty (20) page maximum). If your firm is not registered with the SEC or a state securities regulator as an investment adviser, please provide your firm's fiduciary classification.

Yes. Wilshire Associates is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940.

Motive Partners is registered with the SEC under the name Motive Capital Management, LLC.

CC Capital is currently in the process of becoming registered with the SEC; it does not currently have an ADV.

Form ADVs are available online at <http://www.adviserinfo.sec.gov/iapdf>.

12. Does your firm or a related company, or any principal or officer of your firm, have relationships with asset managers that you recommend, consider for recommendation, or otherwise mention to your tax-exempt clients, for consideration? If so, describe those relationships.

Yes, Wilshire has business relationships with, and may provide services to, investment managers and other financial services providers that may be evaluated or recommended by us. However, Wilshire maintains the integrity of its investment advice and the independence of its advisers through oversight, controls and transparency. This includes clear and relevant policies, a well-defined investment and advisory process, appropriate information barriers, senior management engagement in oversight, and clear and transparent communications with our clients.

13. Does your firm or a related company, or any principal or officer of your firm (you) receive any payments from asset managers, that you recommend to your tax-exempt clients for consideration? If so, what is the extent of these payments in relation to your other income?

Wilshire Associates receives a portion of its total revenues from the sale of analytics services including business generated from investment management firms, many of which are among the largest organizations in the investment industry. Wilshire Funds Management also receives compensation from investment managers or institutions for discretionary and non-discretionary “manager-of-managers” services, as well as outsourcing solutions to financial institutions, commingled funds, and mutual fund complexes.

The total firm revenues received from the sale of analytics services to asset managers is 13%. While it is difficult to segregate the share of income received by Wilshire Funds Management from asset managers, Wilshire Funds Management represented 40% of Wilshire’s revenue in 2019.

14. Does your firm have policies and procedures to address conflicts of interest or to prevent payments or relationships described above, from being considered when you provide advice and/or recommendations to your tax-exempt clients?

Yes. While Wilshire’s mandate with CalPERS does not include manager recommendations or evaluations, Wilshire has adopted a robust set of policies and procedures that are designed to promote the independence of our consultants and the advice they provide clients and to mitigate conflicts of interest. The policies and procedures are built upon the foundations of appropriate oversight, transparency and controls.

First and foremost, it is Wilshire’s policy to make evaluations, recommendations and decisions based solely upon the best interests of the client and without regard to any benefit (economic or otherwise) that Wilshire receives or might receive, in fulfillment of our fiduciary obligation. Wilshire is committed to ensuring that it does not consider an investment manager’s or financial service provider’s business relationship with Wilshire, or lack thereof, in performing evaluations for or making recommendations to its advisory clients. Details regarding Wilshire’s policy and procedures are in Wilshire’s ADV part 2a. In summary:

Oversight

Wilshire has charged the Wilshire Management Committee (WMC), made up of the most senior members of Wilshire’s executive team, including the President, Chief Operating Officer, Chief Financial Officer, General Counsel, Chief Compliance Officer and other members of senior management, to identify, evaluate and oversee conflicts of interest and develop and execute appropriate policies. When appropriate the WMC may delegate issues to other Wilshire committees,

such as the Wilshire Investment Committee (WIC), to provide oversight or an independent assessment of an investment issue where a conflict of interest is present.

Transparency

Wilshire's policy is to disclose material conflicts of interest to its clients and prospective clients. Wilshire provides existing and prospective investment advisory clients with a Conflicts Disclosure Report ("Disclosure Report"), providing a summary of relevant conflicts identified by Wilshire and listing all relationships that Wilshire has with investment managers and other relevant financial services providers along with a summary of the types of services that Wilshire may provide to those entities. Wilshire also provides advisory clients with a Disclosure Report when making a manager recommendation or when otherwise determined appropriate. Clients receiving a Disclosure Report may request more detailed information about managers or service providers with which the client has or is considering a relationship by contacting Compliance or their client service representative.

Controls

Wilshire has implemented relevant controls to mitigate conflicts. Controls include managing processes by which we deliver services to clients, assuring relevant and necessary personnel are engaged in appropriate activities at Wilshire and managing the exposure parties within Wilshire may have to sensitive information. Where reasonable and appropriate, Wilshire has erected ethical walls around business activities where sharing information may create a conflict of interest. Going forward, there will be relevant ethical walls between Wilshire and the Investor Group. The ethical walls seek to prevent members of one group from accessing information that may influence the service they provide to a client or providing information to a party that may usurp the use of such information for their personal benefit.

Wilshire recognizes that the Transaction and Wilshire's new ownership structure present both actual and potential conflicts of interest or the appearance thereof. There is a risk that the Investor Group will attempt to benefit from Wilshire's access to pools of capital, relations with large institutional investors and market influence. There is also a risk that the Investor Group could seek to influence Wilshire's advice to its clients. Wilshire has updated its policies to mitigate these specific risks:

1. Enhanced disclosure: Wilshire will provide disclosure regarding the Transaction and Wilshire's new ownership and organizational structure. This will include disclosure regarding the existence of the lending arrangement with Ares Management Corporation.
2. Restricted access: CC Capital, Motive Partners and their public affiliates will be added to Wilshire's restricted list. This means that Wilshire and its employees will not be able to invest themselves, evaluate or recommend investments in any of these entities.
3. Information barriers: There will be information barriers that prohibit or prevent the Investor Group from having access to client investment information include portfolio holdings and recommendations.

Generally, our investment mandates will continue to be subject to Wilshire's stringent investment process, strict internal controls, independent evaluation of investment opportunities, fiduciary duties and our most important guiding principle: that any investment opportunities must be in the best interests of our clients. Wilshire has committed itself to a culture of compliance and ethical business practices since its foundation in 1972 and this commitment is unchanged.

15. If your firm is awarded the contract, will your firm and its principal(s) and/or officer(s) acknowledge in writing that you have a fiduciary obligation as an investment adviser to CalPERS Board of Administration, the System, and the beneficiaries of the System, while providing the consulting services detailed in this RFP?

Yes. With respect to the investment advisory services that it provides, Wilshire assumes fiduciary responsibility as designated in a definitive agreement negotiated and entered into by the parties. The services we provide are set forth in, and subject to the terms and conditions of, the agreement.

16. Do you consider yourself a fiduciary under ERISA with respect to the recommendations you will provide with respect to the services described in this RFP?

Yes.

17. Does your firm have any arrangements with broker-dealers under which your firm or an affiliate of your firm, will benefit if money managers place trades for their clients with such broker-dealers?

No.

18. Explain in detail any potential for conflict which would be created by your representation of CalPERS, including other client relationships which may inhibit services to CalPERS on a primary basis.

Wilshire does not have any potential conflict with continuing our relationship with CalPERS. Please note above our disclosure regarding conflicts of interest generally.

19. Please list any other relationships / contracts / business activity that involve CalPERS, its Board Members, top staff, or investment managers or consultants. Please see www.calpers.ca.gov for a current listing of Board Members and investment managers / consultants.

Wilshire currently provides general consulting services to CalPERS and the California Department of Human Resources. CalHR has an ex officio member on the CalPERS Board, Eraina Ortega; thus, we have a dual relationship with Ms. Ortega.

In order to provide information regarding Wilshire's relationships with CalPERS' investment managers, we prepared a detailed "follow-up" conflicts disclosure report that was sent directly from our compliance department.

20. Explain in detail any potential for conflicts of interest which would be created by your firm's representation of CalPERS. Please include any activities of affiliated or parent organizations as well as other client relationships which may inhibit services to CalPERS.

To the best of our knowledge, there are no other potential areas of conflict of interest.

C. EXPERIENCE & DEPTH

21. Provide the names of professionals who will be assigned to the CalPERS account including the primary consultant and principal assistant (Identify the primary consultant with an asterisk (*) and any individuals that will be directly involved in the CalPERS account). Please use format below. (Please update Service Area categories as needed, in the table below).

SERVICE AREA	FIRM EMPLOYEES THAT WILL BE DEDICATED TO CALPERS ACCOUNT	TOTAL NUMBER OF EMPLOYEES AT THE FIRM EMPLOYED IN THIS AREA
Direct Board Reporting Services	Steve Foresti Tom Toth, CFA Rose Dean, CFA Ali Kazemi Daniel Ingram	28
Research Services	Steve Foresti* Mike Rush, CFA James Gnull, CFA Daniel Ingram	42
Consulting Services	Steve Foresti Tom Toth, CFA Rose Dean, CFA Ali Kazemi Daniel Ingram	28
Risk Management Services	Ali Kazemi	6
Asset Allocation/Asset Liability Modeling Services	Ned McGuire, CFA, FSA, FRM Brice Shirimbere	8
Performance Services	Amy Hemphill Josephine He, CFA, FRM	16
Investment Policy Review Services	Steve Foresti Tom Toth, CFA Rose Dean, CFA Ali Kazemi Daniel Ingram	28
Investment Office Program Review Services	Steve Foresti Tom Toth, CFA Rose Dean, CFA Ali Kazemi Daniel Ingram	28
External Manager Review Services	Steve Foresti Tom Toth, CFA Rose Dean, CFA Ali Kazemi Daniel Ingram	70+**

SERVICE AREA	FIRM EMPLOYEES THAT WILL BE DEDICATED TO CALPERS ACCOUNT	TOTAL NUMBER OF EMPLOYEES AT THE FIRM EMPLOYED IN THIS AREA
Ongoing Education Services	Steve Foresti Tom Toth, CFA Rose Dean, CFA Ali Kazemi Daniel Ingram	28

*Primary consultant

**Firm wide, shared resource across Wilshire

22. Please provide biographical information of the key individuals who will represent the firm and directly interact with the CalPERS Board. Please provide no more than the top three individual's biographical information.

Steven Foresti, Chief Investment Officer

Steve Foresti, a Managing Director with Wilshire Associates, is the Chief Investment Officer of Wilshire's institutional consulting practice. Based in Wilshire's Santa Monica, Calif., office, he heads Wilshire Consulting's investment management and research efforts, including strategic investment research and the development of asset class assumptions for use in Wilshire's asset allocation process. Mr. Foresti is a member of Wilshire's Board of Directors, Chairman of Wilshire Consulting's Investment Committee, Co-Chairman of Wilshire's Investment Strategy Committee and a member of the Wilshire Index Oversight Committee. 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 has authored papers on a broad range of topics across both the traditional and alternative investment areas.

Mr. Foresti has over 30 years of capital market experience. He joined Wilshire in 1994 and spent nine years within Wilshire Analytics where he developed and supported quantitative attribution and risk models. Before joining Wilshire, Mr. Foresti worked in Morgan Stanley's Mutual Fund Division (formerly Dean Witter Inter-Capital) where he acted as a liaison between the firm's portfolio management team and sales force. He holds a BS in finance from Lehigh University and an MBA in finance and accounting from the University of Texas at Austin.

Thomas Toth, CFA, Managing Director

Tom Toth is a Managing Director of Wilshire Associates and a member of Wilshire Consulting. He has 18 years of investment experience and 16 years of consulting experience providing client service for a variety of pension, endowment and foundation clients. Mr. Toth is a member of Wilshire's Investment Strategy Committee.

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 BA 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 holds the Chartered Financial Analyst designation.