



October 13, 2020

CalPERS
Office of the President
400 Q Street, Sacramento, CA
Via Email

Dear Mr. Jones:

Re: Wilshire Organizational Update

I am writing in response to your letter to Tom Toth requesting additional information on Wilshire Associate Incorporated's pending organizational change. We appreciate your questions, our long-standing relationship with CalPERS and the opportunity to provide the relevant details below.

Overview of the Transaction

Wilshire has entered into a purchase agreement with Monica Holdco (US) Inc. ("Buyer"), a newly created entity to facilitate the purchase of a controlling interest in Wilshire by Buyer (the "Transaction") and an affiliate of Motive Partners and CC Capital. While details regarding structure and governance remain to be finalized, it is anticipated that Motive Partners and CC Capital will participate in both the board and management of Wilshire. However, neither will play any part in either the development or implementation of our investment processes. Additionally, and as part of the Transaction, Ares Management Corporation will become a lender to Buyer.

CC Capital is a private investment firm based in New York, NY founded in 2015 with a focus on investing in and operating high-quality businesses for the long term, with hold periods beyond that of a typical private equity firm. CC Capital funds its investments through a variety of capital sources and frequently partners with executives, managers, and enterprise owners to leverage their knowledge and expertise.

Motive Partners is a specialist private equity firm with offices in New York City and London, focusing on growth equity and buyout investments in software and information services companies that are primarily based in North America and Europe and serve five primary subsectors: Banking & Payments, Capital Markets, Data & Analytics, Investment Advice & Management, and Insurance. Motive brings differentiated expertise, connectivity, and capabilities in an effort to create long-term value in financial technology companies.

Similar to Wilshire's foundation at the cross-section of information technology and finance, Motive Partners and CC Capital were formed to create long-term value in financial technology companies. The strategic management and operational expertise of Motive Partners and CC Capital, along with their additional capital, will strengthen and enhance our ability to serve CalPERS and our other institutional clients.

Wilshire takes seriously its fiduciary obligation, and we believe that appropriately managing conflicts of interest is integral to good corporate governance and the maintenance of high ethical standards. We have a well-developed and robust process for managing conflicts of interest built upon the pillars of transparency, oversight, and relevant controls. We are confident that this existing framework will allow us to manage any conflicts that arise and fulfill our obligations to you under paragraph 51 of our primary contract with you and paragraph 3 of the addendum.

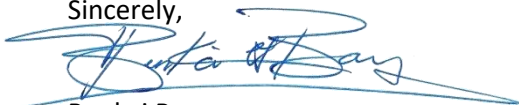
Consistent with our normal process, Wilshire's management committee reviewed the Transaction to consider and evaluate any potential conflicts. The committee identified the following issues and we are updating our policies to implement the practices noted below:

1. Ares Capital – As part of the transaction, Ares Capital will become a lender to the Buyer. As a lender, Ares has a limited role and will have no influence on the management of Wilshire, the investments we make, or the advice and services we provide. As such, we do not believe that this relationship creates a material conflict of interest. Nonetheless, in the interest of transparency, we will be disclosing the relationship as part of our normal procedures. This means that we will be including Ares to our conflicts disclosure reports and disclosing the relationship on any Ares evaluations or relevant communications with clients.
2. Motive Partners – Wilshire has not previously recommended Motive Partners, and going forward, we will not evaluate, recommend, or invest in any Motive Partners funds or investment opportunities. Additionally, where Motive holds a controlling interest in a public company or Special Purpose Acquisition Company ("SPAC"), that entity will be put on Wilshire's restricted list of securities in which Wilshire employees are prohibited from trading. Furthermore, Motive will provide Wilshire with the names of any financial services companies that it owns or is affiliated with to determine if any of those holdings require additional steps or disclosures.
3. CC Capital – Wilshire has not previously recommended CC Capital, and going forward, we will not evaluate, recommend, or invest in any CC Capital funds or investment opportunities. Additionally, where CC holds a controlling interest in a public company or SPAC, that entity will be put on Wilshire's restricted list of securities in which Wilshire employees are prohibited from trading. Furthermore, CC will provide Wilshire with the names of any financial services companies that it owns or is affiliated with to determine if any of those holdings require additional steps or disclosures.

Finally, while we are confident that the above measures are sufficient to address any conflicts that may arise, we also recognize that this new structure introduces additional complexities that will require greater vigilance. As a result, Wilshire will retain a third party compliance consultant to provide us with further guidance and provide independent oversight of the execution of our conflicts of interest policy. We are currently evaluating service providers and would be happy to provide further details once we have completed our search.

Thank you for your continued trust and confidence.

Sincerely,



Benkai Bouey
Chief Compliance Officer



*Thomas Toth, CFA
Managing Director*

*Steve Foresti, CFA
Chief Investment Officer*

October 14th, 2020

Office of the President
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95811

Re: Wilshire Organizational Update Information

Dear Mr. Jones:

Please find attached a response from Wilshire's Chief Compliance Officer to your letter dated October 2, 2020. I would add to his response that this pending organizational change will in no way diminish the rigor and objectivity of Wilshire's strategic asset allocation advice and the research that leads to our capital markets outlook. We have, however, heard the question being raised, so would like to directly address this matter.

The strategic asset allocation counsel Wilshire provides to CalPERS is based on a well-documented and rigorous framework that takes into account underlying economic and market conditions as well as a discounting of how those conditions might change in the future. Wilshire has been formulating long-term return, risk and correlation assumptions since the early 1980s and now updates asset class forecasts on a quarterly basis. While Wilshire always looks to improve the accuracy of our forecasting, the independence and integrity of our research process faces no external pressures as a result of Wilshire's ownership change.

As it relates to our private market return expectations, these assumptions are specifically derived by drawing parallels to the public markets where appropriate, along with using private market data if available. Wilshire's forecast of expected return and risk of public equity is itself driven by a defined methodology, which is outlined in detail in Wilshire's 2020 Asset Allocation Return and Risk Assumptions research paper starting on page 6 (included as an attachment here). We never have and never will "play favorites" between asset classes, beyond what our analysis suggests about the utility of such investments within client portfolios. We remain a committed advisor serving the best interests of CalPERS and its members.

Sincerely,

A handwritten signature in black ink, appearing to be 'T. Toth'.