CalPERS

Investment Committee

Agenda Item 9a

November 16, 2020

Item Name: Wilshire Ownership Transition

Program: Investment Office

Item Type: Action

Executive Summary

The Board's primary general pension investment consultant, Wilshire Associates, Inc. (Wilshire), has agreed to be purchased by two private equity firms, Motive Partners (Motive) and CC Capital. Ares Management Corporation (Ares) will act as a lender in the transaction. As part of the transaction, Wilshire has asked CalPERS to consent to the transfer of its consulting agreement with Wilshire to the new entity. This agenda item enables the Committee to consider and act on Wilshire's request.

Strategic Plan

This agenda item supports the Strategic Plan goal of strengthening the long-term sustainability of the pension fund.

Investment Beliefs

This agenda item supports CalPERS' Investment Belief 10: "Strong processes, teamwork and deep resources are needed to achieve CalPERS' goals and objectives."

Background

Wilshire is the Board's primary general pension investment consultant and is under contract to provide these services through June 2023.

On October 1, 2020, Wilshire advised Board President Jones that it was "entering into a strategic partnership with CC Capital and Motive Partners whereby the two firms … acquired a controlling interest in Wilshire." (Attachment 1). Because this transaction could raise potential conflict of interest issues, Mr. Jones consulted with the CalPERS Legal Office and thereafter asked Wilshire to provide additional information regarding the transaction, potential and actual conflicts of interest, and whether Wilshire's advice on private equity matters could financially impact Wilshire, CC Capital and Motive (Attachment 2). On October 14, 2020, Wilshire provided responses to this request indicating, among other things, that Ares would be a lender in the transaction, that Wilshire would not evaluate, recommend, or invest in any of CC Partners' or Motive's funds or investment opportunities, and that it would retain a third-party compliance consultant to provide further guidance and independent oversight of the execution of its conflicts of interest policy (Attachment 3).

In an October 22, 2020 meeting, CalPERS requested additional information regarding the specifics of the pending transaction, other entities owned by or affiliated with the two purchasing firms, the mechanisms to be employed to prevent Wilshire from having any conflicts, and the timeline for engaging the third-party compliance consultant referenced in Wilshire's October 14, 2020 correspondence.

On October 27, 2020, Wilshire transmitted its request that CalPERS execute a written consent to the transfer of its contract with CalPERS to its new ownership (Attachment 4).

On October 30, 2020, Wilshire provided additional materials in response to questions around governance and conflict management (Attachments 5 and 6).

Analysis

The proposed ownership change raises potential conflict of interest issues. Wilshire needs to provide the Board with its best independent investment advice, completely free of any outside influence. Management is awaiting Wilshire's further submission of information to help it evaluate these issues and will update this agenda item as that information becomes available.

Wilshire representatives will also be present at the November meeting to address the Board's questions.

Budget and Fiscal Impacts

No significant impacts.

Benefits and Risks

Wilshire supports the Board in meeting its obligations to manage the System as a fiduciary and provide members and beneficiaries with benefits as required by law. Wilshire must provide these services independently and free of all outside influence. If the Board determines that the proposed transaction undermines Wilshire's ability to do so, it should not consent to the assignment of its contract to the new ownership.

If the Board does not consent to this requested assignment, the Board could terminate its agreement with Wilshire and use its current private asset class consultant, Meketa Investment Group (Meketa), as its primary general pension investment consultant until it can issue an RFP and select a new consultant. Meketa's existing contract allows for this scenario. However, the Board has previously precluded its primary general pension investment consultant from also serving as its investment consultant for any of the private asset classes, so if the Board wishes to continue that policy, it would need a new private asset class consultant or consultants.

Attachments

Attachment 1 – Wilshire 10/1/2020 email to Henry Jones regarding change of ownership

Attachment 2 – Henry Jones 10/2/2020 letter to Wilshire

Attachment 3 – Wilshire 10/13/2020 and 10/14/2020 correspondence to Henry Jones

Attachment 4 – Wilshire 10/27/2020 request for CalPERS' written consent

Attachment 5 – Wilshire 10/30/2020 letter to Henry Jones

Attachment 6 – Wilshire 10/30/2020 Organizational Update

Matthew G. Jacobs
General Counsel

Marcie Frost
Chief Executive Officer

From: Thomas Toth <TToth@wilshire.com>
Sent: Thursday, October 1, 2020 11:46 AM
To: Henry Jones <henmarj@aol.com>
Cc: Frost, Marcie <Marcie.Frost@calpers.ca.gov>
Subject: Wilshire Organizational Update

[External Email Caution]

Hi Henry,

Today, as we approach our 50th anniversary and look toward our 100th, we are excited to share that Wilshire is entering into a strategic partnership with CC Capital and Motive Partners whereby the two firms have acquired a controlling interest in Wilshire. This decision was driven in large part to ensure that we continue to deliver exceptional services for our clients while we expand capabilities and enhance client experience.

Your Wilshire team will remain in place and you can have confidence that you will receive the support you have grown to expect. Ultimately, we plan to provide a deeper set of relevant tools that will allow us to support you better – from specific offerings and greater access to our breadth of experts to enhanced technology solutions that will allow us to connect more quickly and meaningfully at scale.

Upon the closing of the transaction, which is scheduled to occur late in the fourth quarter, our founder and CEO, Dennis Tito, will embark on a well-earned retirement, while our COO, Jason Schwarz will assume the responsibility of President of Wilshire Associates.

CC Capital and Motive Partners are well known for long-term partnerships, deep knowledge of the financial services space and a commitment to innovation and technology. These qualities make them uniquely well-positioned to serve as impactful partners for Wilshire Associates and, more importantly, the organizations we serve. Just as you are, we are collectively committed to long term success.

I look forward to discussing and answering any questions you may have. You can also expect to receive a formal communication within the next 30 days notifying you of any actions required on your behalf as a result of this announcement. I am also happy to make myself available to address any questions.

We are excited about what this means for our ongoing partnership with you and thank you for your trust and confidence.

Sincerely,

Tom

W Wilshire

Thomas Toth
Managing Director | Wilshire Consulting

Wilshire Associates Incorporated
370 Interlocken Blvd., Suite 620 | Broomfield, CO 80021

Office: 303.626.7448 | Mobile: 310.883.5990 | Fax: 303.466.1537
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California Public Employees' Retirement System
Office of the President
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3829 | Fax: (916) 795-3972
888 CalPERS (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

Mr. Thomas Toth
Managing Director
Wilshire Consulting
370 Interlocken Blvd., Suite 620
Broomfield, CO 80021

Via email: TToth@wilshire.com

October 2, 2020

Subject: Wilshire Organizational Update

Dear Tom,

Thank you for your email updating CalPERS as to Wilshire's pending organizational change. I appreciate receiving this information.

CalPERS understands that both CC Capital and Motive Partners are private equity firms that will essentially acquire Wilshire over the next few months. The CalPERS Legal Office notes that Wilshire's contract subjects it to various conflict of interest disclosure requirements including provisions set forth in paragraph 51 of the main contract and paragraph 3 of the Investment Addendum. These provisions generally require Wilshire to disclose in writing detailed instances giving rise to actual, potential, or perceived conflicts of interest and how they will be managed and mitigated. Given CC Capital's and Motive Partners' position in the marketplace and pending ownership position in Wilshire, CalPERS would like to better understand what possible conflicts of interest may exist once the new organizational change is finalized.

CalPERS requests that by October 14, 2020, Wilshire provide it with a comprehensive writing satisfying the various conflict of interest provisions set forth in its contract. Without limiting Wilshire's obligations to disclose all actual, potential, and perceived conflicts, we would like to know more about the investment operations of CC Capital and Motive Partners, their ownership interest/structure of Wilshire, how Wilshire intends to insulate itself from its new owners for purpose of providing independent investment/fiduciary services under the CalPERS contract, and whether and to what extent Wilshire's future advice to CalPERS on private equity matters could financially impact Wilshire, CC Capital, and Motive Partners. Once CalPERS receives this information, we will be in a better position to evaluate the impact that Wilshire's new ownership structure will have on the services Wilshire provides to CalPERS under contract.

Thank you again for the information regarding Wilshire's upcoming organizational change. If you have any questions in the meantime, please contact General Counsel Matthew Jacobs at (916) 795-3797.

I look forward to hearing from you soon.

Very Truly Yours,

Henry Jones

Henry Jones
President
Board of Administration

Wilshire

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 fulfills 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

Wilshire

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,

Wilshire

October 27, 2020

VIA EMAIL

Request for Consent

Dear Client:

We are pleased to inform you that Wilshire Associates Incorporated ("WAI") and Wilshire Global Advisors Inc. (together with WAI, "Wilshire") have entered into a purchase agreement with Monica Holdco (US) Inc. ("Buyer"), an affiliate of Motive Partners and CC Capital, pursuant to which a controlling stake in Wilshire will be sold to Buyer. The transaction is subject to customary closing conditions and is expected to close in the fourth quarter of 2020.

Under the U.S. Investment Advisers Act of 1940, the change in control of WAI resulting from consummation of this transaction will result in a deemed "assignment" of your agreement with WAI, and accordingly WAI is requesting your consent to this deemed assignment. Whether or not you consent, all of the terms of your agreement and the services you are receiving thereunder will remain unchanged and WAI will continue to provide services to you thereunder.

We ask you to complete and return the enclosed consent at your earliest convenience.

If you have any questions regarding the transaction or this request for consent please feel free to contact us.

Thank you for your continued trust and confidence.

Sincerely,

Jason Schwarz
Chief Operating Officer
Wilshire Associates

Consent to Assignment

Please complete and return this consent at your earliest convenience.

The undersigned hereby consents to the deemed assignment of its advisory agreement(s) with WAI:

Name of Client:_________________________________

Signature: _____________________________________

Print name: ____________________________________

Title: ____

Date: ___________________________________

Please return the signed form by email to: mailto:consultclientconsent@wilshire.com. Alternatively, you may return the form by facsimile to: 310-458-9932 or by mail addressed to: Wilshire Associates, Attn: Legal, 1299 Ocean Avenue, Suite 700, Santa Monica, CA 90401.

Wilshire

October 30, 2020

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

Dear Mr. Jones,

RE: WILSHIRE ORGANIZATIONAL UPDATE

We are following up to our letter of October 13, 2020 where we provided our initial response to your questions regarding Wilshire Associate Incorporated's ("Wilshire") pending organizational change. We value our 35 year relationship with CalPERS and appreciate the opportunity to provide additional information concerning the transaction, Wilshire's governance structure, its policies and procedures designed to manage and mitigate conflicts of interest, ongoing employee stability, and our continued emphasis on providing independent advice consistent with our obligation as a fiduciary.

It is our belief that our experience in governance and delivering leading client-centric solutions will help deliver sustainable, long-term value for everyone we serve.

Overview of the Transaction and Governance

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") and John Hindman will step down from his role as President and member of the Wilshire Board. Dennis Tito and John 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 current membership of the Wilshire Board and that anticipated post close of the Transaction are set out in Appendix 1 to this letter. 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.

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, they do not have board or observer rights nor do they 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.

Conflicts of Interest

As noted above, Wilshire's Management Committee will continue to have ultimate responsibility for evaluating and monitoring risks and conflicts of interest at Wilshire and no member of the Wilshire Board also affiliated with a member of the Investor Group will participate in any conflict of interest decision related to such Investment Group member. Our existing conflicts framework is designed to meet Wilshire's obligations as a fiduciary such that our recommendations and actions are not improperly influenced by a secondary interest beneficial to Wilshire, its personnel <u>or its shareholders (including the</u>

Investor Group). While Wilshire's existing framework addresses conflicts related to the Transaction, we are updating disclosures, policies and procedures to more specifically address any issues. The following updated documents will be provided for your review in advance of your upcoming board meeting:

1. ADV Part 2A
2. Conflicts of Interest Policy
3. Conflicts of Interest Procedures
4. Wilshire Disclosure Report
5. Updated response to CalPERS Organizational and Conflicts Questionnaire

Third Party Compliance Consultant

We recognize that this new structure will require greater vigilance and as a result, have retained a nationally recognized compliance consulting firm, ACA, to provide us with further guidance and review the implementation of our Conflicts of Interest Policy. ACA will review our updated policies and procedures related to conflicts of interest to determine if they are reasonably designed to identify and manage the conflicts of interest in accordance with our obligations as a fiduciary and under applicable law. More specifically, we want to ensure that our policy is sufficient to address the complexities introduced by this new structure.

Employee Stability

Wilshire and the Buyer recognize that the firm's greatest assets are its employees, and therefore must ensure they are engaged, motivated and appropriately incentivized. Today, 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.

Wilshire has faithfully and diligently served CalPERS needs for over 35 years. Through this period's ever-changing nature of individual contributions, market cycles and client mandates, Wilshire has been unwavering in its commitment to provide market leading, impartial advice. This will not change following the Transaction. We hope that you will appreciate the thought and work that has been put into our evaluation of issues that may impact our relationship with our clients and with CalPERS in particular. We are firmly of the view that the organization that you know will only improve with our new partners and that the team that has worked with you for many years will continue uninterrupted to provide best-in-class service to CalPERS.

Thank you for your continued trust and confidence.

Sincerely,

Chief Compliance Officer
Wilshire Associates Incorporated

Appendix 1

Current Wilshire Board	Wilshire Board at Close	Position at Wilshire post close
Dennis Tito*	tba	CEO
John Hindman*	tba	CFO
Jason Schwarz	Jason Schwarz	COO and President
Benkai Bouey	Benkai Bouey	Chief Compliance Officer
Josh Emanuel	Josh Emanuel	Managing Director
Steve Foresti	Steve Foresti	Managing Director
Reena Lalji	Reena Lalji	General Counsel
Maggie Ralbovsky	Maggie Ralbovsky	Managing Director
William van Eesteren	William van Eesteren	Managing Director

*Resigning from Wilshire Board at close of Transaction.

Wilshire

Wilshire Organizational Update

OCTOBER 30, 2020

Prepared for: CalPERS

Wilshire

Summary of Transaction

CC Capital and Motive Partners have entered into an agreement to acquire Wilshire Associates

- Similar to Wilshire's foundation in information technology and finance, Motive Partners and CC Capital were formed to create long-term value in financial technology companies
- Ares Capital will act as a passive lender for the transaction
- Key ongoing Wilshire employees will continue to maintain a material ownership stake in Wilshire and receive additional equity incentives

Transition Event

- Dennis Tito (CEO) and John Hindman (President) will exit the business. Dennis after nearly 50 years of building Wilshire into a leading global advisory firm
- Jason Schwarz (COO), who has led the day-to-day management of the business in recent years, will continue to lead Wilshire's investment and portfolio analytics activities and assume the role of President in addition to this current role as Chief Operating Officer

Positives for CalPERS

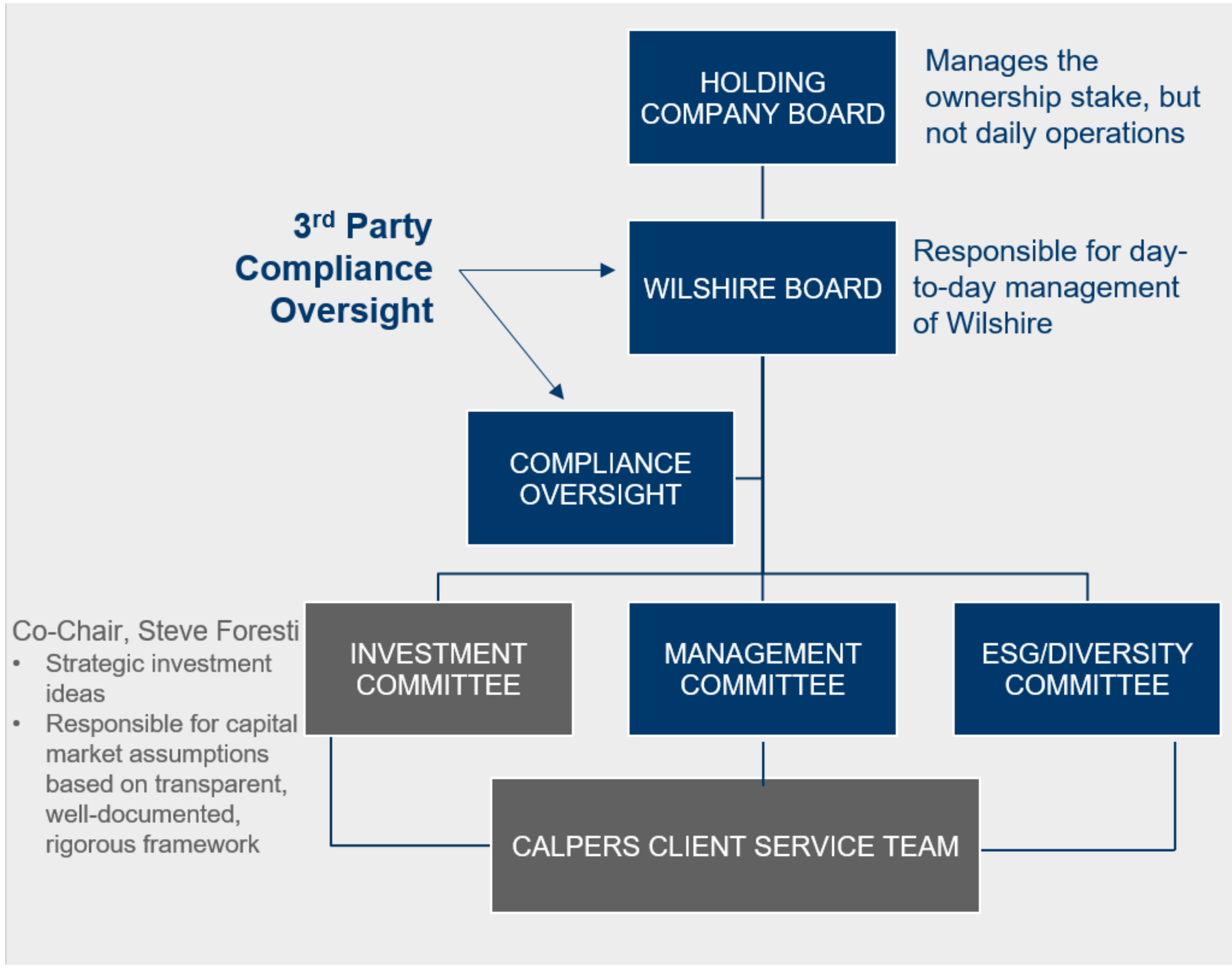
- CalPERS will continue to be advised and supported by the same team and process, which should benefit from greater investment in capabilities, technology and tools
- Wilshire's fiduciary role as the general consultant to CalPERS Board remains in place
- The investment solidifies Wilshire's presence and growth as a California-based company, and expects to see substantial growth over the coming years

Wilshire Associates has provided independent guidance and advice to CalPERS for more than 35 years and that will not change with the transaction

Wilshire

Governance Structure

- Limited change in operating governance and people
- Day-to-day management of Wilshire largely managed by legacy Wilshire team
- Investment process is insulated from Holding Company influence
- Investment partners will not participate in investment decision making related to Wilshire clients



Wilshire

Managing Conflicts of Interest

Wilshire's conflict management process is an integral part of our ethos, designed to ensure that our advice is driven by the best interests of our clients

Understanding the nature of a conflict, and client vulnerability should a breach occur, are critical to designing effective compliance controls

- Actual or direct conflicts have explicit and close relationship to potential impacts on a client
- Perceived or indirect conflicts are more ambiguous and have a less clear connection to potential client impacts

Wilshire's compliance policies and procedures manage both types of conflict

Managing Conflicts of Interest

Updating policies and procedures to more specifically address issues related to the transaction

Updating disclosures to provide greater transparency

- Additional disclosure of transaction and new ownership structure

Enhanced monitoring and restrictions

- Update Wilshire’s restricted list to include Motive Partners and CC Capital affiliates, investments and funds
- Restrictions regarding evaluating, recommending or investing with Motive Partners and CC Capital will be consistent with Wilshire’s policies and procedures
- Annual ESG monitoring

Information barriers between Wilshire’s investment team and Motive Partners and CC Capital

Additional Information

Additional Due Diligence Materials Provided Prior to Board Meeting

- Updated Wilshire's response to Organizational & Conflict questions from CalPERS' last Request for Proposal
- Updated conflict of interest policy
- Updated conflict of interest procedures
- Updated Wilshire Disclosure report
- Updated SEC Form ADV

Conclusion

Policies, procedures and people are in place to ensure conflicts (actual AND perceived) are identified and appropriately managed

Although Wilshire will have new shareholders, **our mission** to provide objective, independent advice to our clients remains constant

The **current client team** will continue to provide CalPERS with the same world class service that we have for more than three decades

The **management team and ownership** are focused on ensuring that Wilshire maintains and continues to grow its reputation as a world-class, California-based independent advisor

Important Information

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This report may include estimates, projections and other "forward-looking statements." Forward-looking statements represent Wilshire's current beliefs and opinions in respect of potential future events. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual events, performance and financial results to differ materially from any projections. Forward-looking statements speak only as of the date on which they are made and are subject to change without notice. Wilshire undertakes no obligation to update or revise any forward-looking statements.

Wilshire is a global financial services firm providing diverse services to various types of investors and intermediaries. Wilshire's products, services, investment approach and advice may differ between clients and all of Wilshire's products and services may not be available to all clients. For more information regarding Wilshire's services, please see Wilshire's ADV Part 2 available at www.wilshire.com/ADV. Wilshire Consulting is a business unit of Wilshire.

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