

Wilshire Consulting

***City of Fort Lauderdale
Police & Firefighters' Retirement System
Response to Request for Proposal for Investment Consulting Services
May 28, 2010***



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Respectfully Submitted by:

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ORGANIZATION

1. Describe your firm's strengths, highlighting the aspects of your service that make you unique from your competition. Which investment consulting services are the firm's specialties or areas of greatest expertise?

We believe the following factors distinguish Wilshire from our competitors and describe the unique value added services we can provide to the City of Fort Lauderdale:

Organizational Experience

For over 25 years, Wilshire has been providing investment consulting services, including asset allocation, investment structure, manager search, and performance measurement, to some of the largest institutional investors in the world. Wilshire Consulting currently consults to 125 clients with total assets of more than \$640 billion under advisement.

Innovative Market Leader

Wilshire earned a leadership position in the industry by consistently delivering innovative investment research and services to the institutional market. For over thirty years, our clients have trusted Wilshire to lead the institutional investment community by transforming complex theory into practical applications.

Wilshire has developed a number of innovative market standards for our clients:

- *Wilshire Analytics*
- *Wilshire 5000 Index (now re-branded the Wilshire 5000 Total Market IndexSM)*
- *Equity and Fixed Income Risk Models*
- *Integrated Asset / Liability Modeling*
- *Equity Style Indexes*
- *Equity and Fixed Income Portfolio Optimization*
- *Wilshire Trust Universe Comparison Service (Wilshire TUCS[®])*

Research Capabilities

Wilshire Consulting has a dedicated research team. Research topics are the direct result of client feedback and discussion, and the Investment Research Group routinely pursues interesting ideas to enable Wilshire to remain a thought leader in the industry. We find that the combination of independent research, coupled with client-driven advocacy through consultant involvement in the research process, ensures an end product that is focused on relevant challenges facing Wilshire's consulting clients.



Investment Technology Resources

A significant focus of the firm's resources is on investment technologies and the application of investment technologies to solve investment-related problems. One of the first asset allocation models was built at Wilshire, as were some of the first truly global risk models. The Wilshire Compass was the first executive decision tool for fund sponsors and is now used by funds totaling \$1.4 trillion in assets to develop, monitor and evaluate their investment programs. Wilshire Consulting also benefits greatly from accessing the products of Wilshire Analytics, which are leading edge portfolio risk analytics. We use advanced fixed income analytics in our performance measurement system and utilize multifactor risk models for equities to conduct specialized portfolio analysis for our clients.

Experienced Staff

Wilshire and its affiliates employ approximately 350 people in ten offices and affiliated companies around the world: Santa Monica (*headquarters*), Pittsburgh, Jersey City, Chicago, Denver, London, Amsterdam, Canberra, Singapore and Tokyo. Wilshire Consulting is comprised of approximately 90 professional employees, with departments in our Santa Monica, Denver, and Pittsburgh offices.

Wilshire's consulting staff consists of 27 consultants organized into seven consulting teams, each with their own dedicated investment research support staff. Each consulting team serves a diversified client base, which includes corporate and public fund sponsors, endowment and foundation funds, and non-profit institutional investors.

Wilshire's consultants have diverse backgrounds with experience in the investment management, plan sponsor, and custody businesses. Our high-quality, long tenured consultants provide client service through a dedicated team structure. Wilshire senior consultants average nearly 12 years at Wilshire and 17 years with the industry; 90% have post-graduate degrees and 80% hold the Chartered Financial Analyst designation.

Commitment to Investment Consulting

Wilshire offers comprehensive investment consulting services backed by nearly thirty years of experience of working with some of the largest institutional investors in the world. Wilshire is committed to the investment consulting marketplace and we enjoy a solid reputation. We work diligently for our clients to earn their confidence and uphold our status in the industry.



Service Delivery Model

We combine two prominent service models in investment consulting today: centralized resources and dedicated client service. We believe that there must be a dedicated team assigned to each client account in order to establish an intimate working knowledge of a client's issues and, in effect, to become the extension of staff. All client service work is handled within the team and centralized resources are used to leverage the consulting team's time and expertise. In effect, Wilshire provides each client with the personalized attention benefits of a small firm and the resources of a large firm.

We believe that our consulting expertise lies in the following areas:

Asset Allocation Models

Wilshire was among the first to develop an integrated asset / liability model more than thirty years ago. Since then, Wilshire has performed thousands of asset allocation studies for institutional investors including public and corporate pension plan sponsors, endowment and foundation funds, operating portfolios, healthcare organizations, and other financial institutions. Wilshire's asset-allocation tools range from the classic "asset-only" models to the most advanced portfolio selection models that utilize detailed information about a client's financial commitments. These methodologies can incorporate various objectives (economic, accounting, actuarial, separately or altogether) the client may have. Because we create and maintain all of our asset allocation and asset/liability modeling software in-house, our models are highly customizable and flexible and can accommodate any number of major or sub-asset classes as well as virtually any constraint that may affect the client's asset allocation decision. Our analysis is based on capital market assumptions that include, but not limited to, expected returns, standard deviations and correlations for each major asset class. The assumptions, along with full documentation of their derivation, are published at least annually.

U.S. Stock and Bond Markets

Wilshire Analytics has two groups, the Equity Analytics Group and the Fixed Income Analytics Group, dedicated to the development of investment technology, risk models, debt option models and research for Global Equity and Fixed Income. Wilshire Consulting has access to the same models and research. Through sophisticated, holdings-based attribution analysis, we can determine if a manager is under-performing because the style is out of favor or because they are making bad decisions. We have complete capabilities to separate market factors from stock specific factors and have done so for many of our clients.

Further, Wilshire developed the concept of style benchmarks and created the first set of equity style indexes. This is an example of Wilshire's leadership in the global



financial markets where our competitors have followed us. In 2006, Wilshire launched a fully integrated set of global equity indexes, leveraging off the Dow Jones Wilshire 5000 IndexSM (now re-branded the Wilshire 5000 Total Market IndexSM) through a licensing agreement with Dow Jones. Wilshire's pioneering departure in 1976 from the Dow Jones Industrial Average and the S&P 500 Index as the only two accepted indexes for U.S. stock market performance has allowed global investors to understand better the factor and market risk exposure in the U.S. market. Selection of the Wilshire 5000 by both Alan Greenspan and Dr. William Sharpe for their work respectively and as a measure of the full U.S. market is a gratifying recognition of the strength of Wilshire's work.

Non-U.S. Stocks and Bonds and the Emerging Markets

Wilshire's strength lies in the quality of its international analytical tools. These include detailed international performance attribution analysis, Wilshire's global equity risk model, and our capability to analyze the emerging markets. We have subscribed to a broad database of securities for the emerging markets which will allow us to customize benchmarks and to perform attribution analysis on investments in these countries.

As interest in the emerging markets was beginning in the early 1990s, Wilshire sponsored research trips and conferences to the various emerging markets in Asia, Europe and Latin America. These trips enabled Wilshire to meet with the Finance Ministers of these countries and the business leaders of the major corporations. We toured the stock exchanges and met with local banks and money managers to get a real picture of what investing in this market segment would be like.

Finally, Wilshire has prepared for several clients a permissible equity analysis that analyzes the emerging markets' ability to support institutional investment. This analysis pre-dated the creation of emerging markets equity indexes and was driven by managers' desires to invest in these emerging economies.

Foreign Currency / Currency Overlay

Wilshire is widely recognized and highly regarded for its research and position on the management of currency risk. Wilshire's article entitled, "Currency Hedging Rules for Plan Sponsors," published by *The Financial Analysts Journal* has been oft-quoted in articles and texts on currency. In addition to this research, Wilshire maintains a database of currency managers, has conducted one of the largest currency overlay searches and has developed one of the most comprehensive Request for Proposal questionnaires for currency overlay management. Further, we developed a sophisticated currency overlay monitoring analysis which was even cited in "How Do We Measure Currency's Impact in International Equity Accounts?," an article written



by Peter Willet of State Street Global Advisors, published in *The Journal of Performance Measurement* in Spring 1997.

Master Custodial Services

Our Trust Services Group within Wilshire Analytics has relationships with every major master custodian bank. This group advises master custodians on systems and analytics. We have assisted on many visible master custodial searches and we have gone through the master custodian transitions with these clients as well. Wilshire Analytics Performance Measurement Reporting division, which provides the Wilshire Trust Universe Comparison Service® (Wilshire TUCS®), works with every major custodian bank and provides us with a daily laboratory of the caliber of master custodian banks from the standpoint of quality, accuracy and timeliness of reports, the quality of client service personnel and the quality of pricing (Wilshire independently prices all publicly-traded securities for U.S. and non-U.S. investments as an audit check of the master custodian banks). Annually, the Performance Measurement Group publishes its survey on the quality of master custody services. Finally, Wilshire has established a master custodial bank / securities lending committee within the consulting group specifically to focus on research into these types of services. With the swiftness of technological changes, the front runners in this category of service change yearly.

Private Markets

In recognition of the fact that the public equity markets continue to be more efficient, thereby prohibiting many active managers from adding value above passive benchmarks, Wilshire has recognized that the private markets and hybrid investments can be an attractive asset class for suitable portfolios. Wilshire Consulting believes that the overriding reason for private market investments is to provide an alternative source of investment return for an institutional investment fund. We provide several specific services in private markets, including a private markets co-op, the only plan sponsor-based universe comparison in the industry. Wilshire has been published in this area, too, in an article entitled, “Benchmarks for Private Market Investments,” published in *The Journal of Portfolio Management*. Wilshire has been able to affect how the plan sponsor community measures the results of investments in this asset class.

2. Summarize your organization’s long-term strategy for business development.

Wilshire’s vision is not to be the biggest, but to be the best. Our vision is to continue to solve industry problems. For example, Wilshire was one of the first to create an asset / liability model for pension funds in the 1970s, ten years before actuarial and accounting firms began to duplicate this technology. Additionally we created style-oriented equity indexes in 1988, and developed our equity “style-map” technology to



look at style risk exposures within a client's equity portfolio. We have always taken a thought leadership position in the industry.

We develop our vision through our five-year strategic planning cycles. This is a company-wide effort that looks at industry issues, competitive trends, resource needs, capital investment and client feedback. The strategic plan is finalized by Wilshire's Board of Directors. We believe we can be pro-active and flexible because we are independent from both an ownership and financial standpoint. We manage growth on a controlled basis.

Wilshire believes that controlled growth is not only desirable, but preferable for our Consulting business for two important reasons:

- Wilshire completely self-finances its operations and capital investment, thus alleviating the firm from answering to a parent, partner or lending institution that may have different goals than ours. Therefore, reasonable growth allows Wilshire to continue to generate sufficient revenue to invest back into our business on an independent basis.
- Controlled growth provides for career advancement and retention opportunities for our professionals. Our ability to grow allows us to continue to provide the appropriate economic incentives to retain staff. We firmly believe that with how complicated the investment industry is becoming we owe our clients investment professionals with the requisite technical skills to serve them, whether on the front line, or in a research capacity.

Our catalyst for growth is finding qualified people. Managing our consulting practice is a challenging business to recruit personnel or candidates with strong quantitative, investment, communication and leadership skills. Wilshire's consulting staff consists of 25 consultants organized into seven consulting teams, each with their own dedicated investment research support staff. Each consulting team serves a diversified client base, which includes corporate and public fund sponsors, endowment and foundation funds, and non-profit institutional investors.

Wilshire's consultants have diverse backgrounds with experience in the investment management, plan sponsor, and custody businesses. Our high-quality, long tenured consultants provide client service through a dedicated team structure. Wilshire senior consultants average nearly 12 years with Wilshire and 17 years with the industry; 90% have post-graduate degrees and 80% hold the Chartered Financial Analyst designation.

Wilshire Consulting continues to research new investment concepts and to work with clients on implementing new ideas that are sound and well understood. Wilshire also



continues to work on the development of new tools to aid Wilshire Consulting in analyzing investment strategies. As an organization, Wilshire is always seeking ways to improve, while still maintaining our commitment to providing highly customized consulting services to institutions. In recent years, we have expanded our defined contribution experience and developed the following new tools to plan sponsors: Wilshire TargetPathSM. Wilshire TargetPathSM is intended to provide customized target date retirement fund solutions using the Plan's existing investment options. Wilshire TargetPathSM evaluates each age segments' unique employee base in terms of age, income characteristics and other retirement benefits as part of Wilshire's proprietary Needs-Based Optimization process.

3. What percentage of your annual budget is allocated toward research and development?

Wilshire reinvests the majority of its revenues into research activities. Wilshire was built and continues to thrive on its reputation for publishing innovative investment research and developing advanced investment technology. The majority of our revenues are reinvested in our personnel, who are responsible for developing research and technology. Outside of personnel costs, we spend another 5% directly on databases, technology development tools and hardware. We gather and compute a large majority of the data we use in our manager research process and offer these proprietary databases to clients through a variety of analytic services that also include performance measurement, performance attribution and risk management. We also build tools for asset / liability modeling and for manager oversight, selection and monitoring. We have business units that are dedicated to building investment technology for fixed income portfolios, equity portfolios and the total fund. We have research groups dedicated to general capital market and economic research, manager research, asset allocation, private markets and real estate.

4. Does your organization anticipate any changes in ownership or organizational structure?

Other than continuing to expand ownership to other active key employees, no other near term changes in Wilshire's ownership structure or changes in the organization are anticipated.

5. Provide information that documents your firm's qualifications with respect to its independence, ability, capacity, skill, financial strength and number of years your firm has provided pension fund consulting services to public pension plans.

Wilshire Associates Incorporated ("Wilshire®" or "Wilshire Associates") was founded in 1972. Wilshire earned a leadership position in the industry by consistently delivering innovative investment research and services to the institutional market.



For over thirty years, our clients have trusted Wilshire to lead the institutional investment community by transforming complex theory into practical applications.

Our timeline exhibits the many accomplishments Wilshire and its affiliates have developed on behalf of its clients.

The 1970s – First to the Market

- *Wilshire Analytics*
- *Wilshire 5000 IndexSM*
- *Equity and Fixed Income Risk Models*
- *Integrated Asset / Liability Modeling*
- *Equity Style Indexes*
- *Equity and Fixed Income Portfolio Optimization*
- *Wilshire Trust Universe Comparison (Wilshire TUCS[®])*

The 1980s – Continued Innovation

- *Wilshire Consulting*
- *Performance Attribution Models*
- *Holdings-Based Style Measurement Model*
- *Performance Fee Calculation Model*
- *Wilshire New York Office*

The 1990s – Globalization

- *Wilshire Compass Consulting Analytics*
- *Canadian Trust Universe Comparison Service*
- *Wilshire Cooperative Universe ServiceSM*
- *Wilshire Pittsburgh Office*
- *Wilshire London Office*
- *Wilshire Amsterdam Office (Wilshire Associates Europe BV)*
- *Wilshire Private Markets*
- *Global Equity and Fixed Income Risk and Attribution Models*
- *Wilshire Canberra Office (Wilshire Australia Pty Limited)*
- *Wilshire Funds Management*

The 2000s – Investing for Clients in the New Millennium

- *Risk Budgeting Platform*
- *Wilshire iQuantum Total Fund Analytics*
- *Streamline Business Units*
- *Hedge Fund Consulting*
- *Wilshire Consulting Investment Research Group*
- *Commitment Driven Investing (“CDI”)*
- *Wilshire Singapore Office*



- *Wilshire Chicago Office*
- *Wilshire Tokyo Office*
- *Wilshire TargetPathSM (Custom Target Maturity solution)*
- *Global Pensions 2007 Investment Consultant of the Year Award*
- *Wilshire Denver Office*

Currently, Wilshire and its affiliates employ approximately 350 people in ten offices and affiliated companies around the world: Santa Monica (*headquarters*), Pittsburgh, New Jersey, Chicago, Denver, London, Amsterdam, Canberra, Singapore and Tokyo.

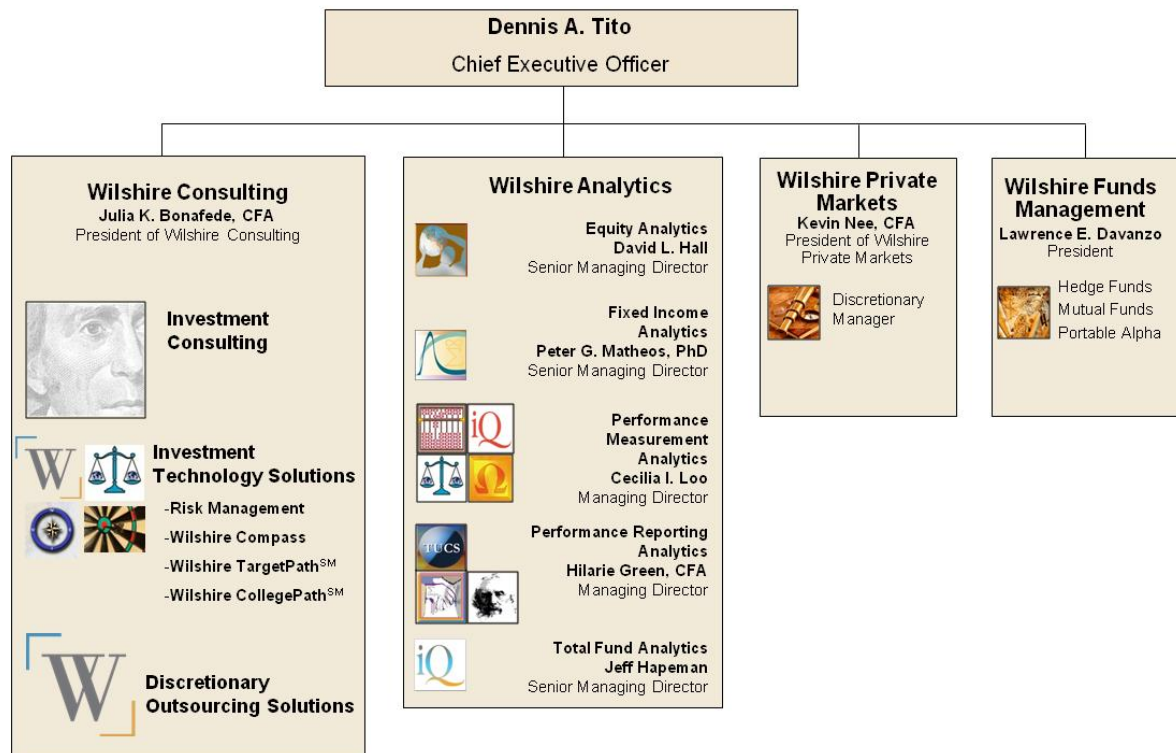
Wilshire is a privately held Subchapter S corporation that is 100% owned by its active key employees. Wilshire's stature in the industry is greatly derived by the quality of the people we employ. Our ability to attract and retain investment professionals through direct ownership opportunities has always been a key ingredient to Wilshire's success. Wilshire's Board of Directors provides ownership opportunities on a periodic basis to award individuals who have demonstrated leadership capabilities and whose contributions to the firm have exceeded expectations. Our goal is to expand ownership of Wilshire among our active key employees.

Dennis Tito, a co-founder of the firm, continues to serve in the active capacity of Chief Executive Officer.

Wilshire Private Market operations in Amsterdam, Tokyo, and Canberra, Australia are conducted through affiliated companies, Wilshire Associates Europe, BV, Wilshire Japan K.K., and Wilshire Australia Pty Limited. Wilshire's participation as general partner in various limited partnership investment vehicles is conducted through entities controlled by Wilshire's affiliate, Wilshire Global Advisors Inc. Wilshire has no parent company. The ownership of Wilshire Global Advisors Inc. is identical to that of Wilshire. These operations were set up as affiliated companies to comply with local laws.

6. Is providing investment advisory services your sole line of business? If not, describe what other services your firm provides and show the percentages of your organization's revenues attributable to the investment advisory service as well as the other lines of services.

Wilshire is comprised of four distinct business units: Wilshire Consulting, Wilshire Private Markets, Wilshire Funds Management, and Wilshire Analytics, as shown below.



Wilshire Consulting (27% of firmwide revenue in 2009)

Wilshire Consulting offers the following services:

- Wilshire Consulting provides asset / liability analysis and asset / spending policy analysis, investment structure analysis, manager selection and evaluation, performance measurement, and investment research services to private and public pension plans (both defined benefit and defined contribution plans), foundations / endowments, and insurance companies.
- Wilshire Consulting also offers discretionary outsourcing solutions to institutions. Rooted in Wilshire's three decades of experience, our investment expertise lies in the selection of investment managers, the blending of complementary managers to control risk, and the monitoring of these investment solutions to help enhance risk-adjusted performance. We provide customized investment programs based on the risk tolerance of the investors we represent.
- The Wilshire Compass is a Windows-based software application that provides institutional clients with analytical tools to evaluate managers, investment structures, and asset allocations, as well as access to Wilshire research. Wilshire Compass clients can receive updates to their software, which includes extensive



manager and index databases, via the Internet. The Wilshire Compass system also allows clients to do custom work and analysis on data that is not in the database.

- Wilshire TargetPathSM was launched in 2007 and is intended to provide customized target date retirement fund solutions using the Plan's existing investment options. Wilshire TargetPathSM evaluates each age segments' unique employee base in terms of age, income characteristics and other retirement benefits as part of Wilshire's proprietary Needs-Based Optimization process. Wilshire works with our clients to determine a policy statement that specifies and calibrates the optimization objective function thereby controlling the optimizer's sensitivity. The objective for Wilshire TargetPathSM is to create a series of portfolios that will maximize the probability of being successful in funding participants' retirement income. The program will allow sponsors to provide the robust retirement income planning their employee is seeking.

Wilshire Private Markets (22% of firmwide revenue in 2009)

Wilshire Private Markets provides institutional investors access to global private markets through portfolios that invest in venture capital, leveraged buyout and other alternative investment opportunities on a discretionary basis for those clients wishing to outsource this function.

Wilshire Funds Management (17% of firmwide revenue in 2009)

Wilshire Funds Management offers discretionary and non-discretionary "manager-of-manager" services as well as outsourcing solutions to financial institutions, commingled funds, and mutual fund complexes.

Wilshire Analytics (34% of firmwide revenue in 2009)

Wilshire Analytics provides investment technology solutions to a broad range of firms, including central banks, custodial banks, hedge funds, insurance companies, investment management firms, mutual funds, plan sponsors, state retirement boards, trust departments, universities and more. Wilshire Analytics products provide a multitude of services, including risk management, asset allocation, investment accounting, marketing support, trade order management, portfolio optimization, scenario analysis and performance measurement to multi-currency portfolios for multiple asset classes of public securities. Products include Wilshire AxiomSM, Wilshire AtlasSM, Wilshire AbacusSM, Wilshire iQCompositeSM, Wilshire iQuantumSM, Wilshire Compass InSiteTM, Wilshire SpectrumSM, Wilshire Trust Universe Comparison Service (Wilshire TUCS[®]), and Wilshire Cooperative Universe ServiceSM (WILCOP).



7. Are you registered with the S.E.C.?

Yes. Wilshire Associates is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940. A copy of Wilshire's most recent Form ADV, Part II is provided in the **Appendix, Tab 1**.

8. Are you a member of the Association for Investment Management and Research (AIMR)?

As a leading consulting firm to the investment industry, Wilshire has been involved with the CFA Institute (formerly known as AIMR) task force. Wilshire Consulting has 18 professionals who are members of the CFA Institute. Wilshire Consulting adopted the CFA Institute Code of Ethics when it was initially introduced in 1990. The Wilshire Consulting Code of Conduct is modeled after the Code of Ethics and Standards of Professional Conduct of the CFA Institute, and is acknowledged in writing by our consulting staff upon employment and annually thereafter.

In addition, one of our principals worked with the CFA Institute to develop the Institute's industry-standard Performance Presentation Standards, so Wilshire is familiar with them and applies them in our performance measurement process.

9. Are you a member of the Florida Public Pension Trustees' Association (FPPTA) or the International Foundation of Employee Benefit Plans (IFEBP)?

No. Wilshire is not a member of the FPPTA or IFEBP.

10. Is your firm registered with the Florida Secretary of State to do business in the state? Please provide your registration number.

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

Fed Tax ID: 95-2755361
SEC File #: 801-36233

Wilshire is registered to do business in the states of which we maintain offices. We currently provide investment consulting services to seven public and private institutions in the state of Florida.



11. Is the firm or any of its principals or employees currently engaged in any litigation with the SEC, current or former client or employee or any other person or organization related to your business activities?

In late 2003 and early 2004, a number of class actions were filed against mutual fund companies, relating to certain trading strategies. Subsequently, a number of traders and brokerage firms that executed trades were added as defendants to the class actions. In November 2004, Wilshire was added as a “trader” defendant in two of these actions known as the *MFS* Subtrack and the *Alger* Subtrack. Wilshire filed motions to dismiss both actions, and a ruling was issued in November 2005 granting in part and denying in part Wilshire’s motions. Wilshire thereafter reached agreements to settle both cases, each settlement to be paid by Wilshire’s insurance carrier, subject to court approval. Both actions have been stayed pending final approval of the settlements and dismissal with prejudice of the actions. A hearing on motions for preliminary approval of the settlements is currently set for April 16, 2010, and a hearing on motions for final approval of the settlements is currently set for October 1, 2010.

Wilshire has been involved in actions to collect fees due Wilshire.

To the best of Wilshire’s knowledge, there are no pending litigations against Wilshire that would affect our ability to fulfill contractual commitments.

Certain personnel of Wilshire have been subpoenaed to provide information in respect of litigation in which Wilshire is not a party.

We do not track personal litigation of Wilshire employees. However, to the best of our knowledge, no principal, officer, or manager of Wilshire has pleaded guilty to, pleaded nolo contendere to, or been convicted of or indicted for any crime involving theft, veracity, truthfulness, conversion of property, fraud, identity theft or felony.

12. Has the firm been fired, sanctioned or otherwise disciplined by the SEC or any other regulatory agency?

In December 2003, Wilshire, along with many other pension consultants, received an examination letter from the Securities and Exchange Commission. Wilshire cooperated fully with the SEC and provided the SEC with all the information that was requested. In March 2005, Wilshire received a letter from the SEC indicating that Wilshire should enhance its disclosure of both actual and potential conflicts of interest. They also made a few additional comments about Wilshire’s Form ADV. Wilshire has enhanced its Form ADV disclosures accordingly and instituted policies



and procedures to provide detailed, client-specific disclosures about analytics services that Wilshire provides to money managers.

In February 2009, Wilshire received a letter of compliance evaluation from the Office of Federal Contract Compliance Programs, a subdivision of the Department of Labor. In May 2009, the OFCCP issued a letter to Wilshire identifying three violations, each of a recordkeeping nature. In conjunction with closing its audit, Wilshire entered into an agreement to rectify the violations and to date has done so.

Wilshire formerly was a broker-dealer, member of the National Association of Securities Dealers and a member firm of the New York Stock Exchange. At the end of October 2004, Wilshire closed down its brokerage operation for business reasons, withdrew from the NYSE, and withdrew its Securities and Exchange Commission registration as a broker-dealer.

In connection with Wilshire's former brokerage business, Wilshire was sanctioned as follows:

1. In February 1989, Wilshire was fined \$1,000 by the NYSE due to the fact that certain trade sides that Wilshire submitted to the NYSE for the weeks of 11/14/88 and 12/5/88 carried times of trade that were not within NYSE hours and / or had different trade dates than those kept within NYSE's chronological record of trading. The violations were inadvertent, and prompt corrective action was taken by Wilshire when apprised of the errors by the NYSE.
2. In July 1999, Wilshire was fined \$2,000 by the NASD due to the fact that on several days sampled during 7/98-9/98, certain transactions and agency cross trades reported on the Automated Confirmation Transaction system were not accepted or rejected on a timely basis. The violations were inadvertent, and prompt corrective action was taken by Wilshire when apprised of the errors by the NASD.
3. In September 2003, Wilshire agreed to pay a fine of \$50,000 to settle five administrative rules violations discovered during a routine examination in 2000. The NYSE action dealt with registration of individuals as NYSE Allied Members, registration of one individual as a Series 7 representative, review of electronic communications of registered representatives, approval and review of employee related accounts and a notice of share offering to employees. The violations were inadvertent, and prompt corrective action was taken by Wilshire when apprised of the errors by the NYSE.
4. In March 2004, Wilshire was fined \$3,000 for failing to timely report to the Order Audit Trail System 72% of all reportable order events during the time period



April 16 to June 30, 2002, constituting violations of NASD Marketplace Rule 6955(a) and NASD Conduct Rule 2110. The reporting failure was inadvertent and prompt corrective action was taken by Wilshire when apprised of the errors the NASD.

13. Has the firm or any of its principals or employees been convicted of any crimes in Florida or any other State?

No. Wilshire has not been convicted of any crimes in Florida or any other State. We do not track personal litigation of Wilshire employees. However, to the best of our knowledge, no principal, officer, or manager of Wilshire has pleaded guilty to, pleaded nolo contendere to, or been convicted of or indicted for any crime involving theft, veracity, truthfulness, conversion of property, fraud, identity theft or felony.

CLIENTS AND REFERENCES

1. Please provide a summary of your firm's total clients and assets under investment consulting advisement. Indicate a breakdown by public pension funds, corporate pension funds, Taft Hartley funds, endowments and others. At a minimum, please include:
 - a. Total number of investment consulting clients
 - b. Number of clients and assets by category
 - c. Fund size of average client

Below is a distribution of Wilshire Consulting clients by asset size:

SIZE (MIL)	CORPORATE FUNDS	FOUNDATION / ENDOWMENT	HOSPITAL	PUBLIC FUNDS	TOTAL
\$0 – \$100	10	10	3	0	23
\$101 – \$500	12	19	6	5	42
\$501 – \$1,000	10	3	1	6	20
\$1,001 – \$5,000	15	2	1	8	26
Over \$5,000	5	0	0	9	14
Total	52	34	11	28	125
Total Assets	\$77.9 Bil	\$9.2 Bil	\$3.5 Bil	\$554 Bil	\$644.6 Bil

Wilshire Consulting clients have an average tenure of nine years and a median account size of \$500 million.



d. Representative client list

A representative list of current Wilshire Consulting clients is provided in the following table.

CLIENT	TYPE	APPROXIMATE ASSET VALUE	INCEPTION
<i>Alltel Corporation</i>	Corporation	\$900 Mil	1984
<i>Ahmanson Foundation</i>	Other Non-Profit	\$1.1 Bil	2000
<i>Army and Air Force Exchange</i>	Fed/State Govt	\$5.6 Bil	1995
<i>Bayer Corporation</i>	Corporation	\$6.5 Bil	1984
<i>Black and Decker</i>	Corporation	\$1.5 Bil	1990
<i>CalPERS</i>	Fed/State Govt	\$180 Bil	1984
<i>Dallas Employees Retirement Fund</i>	Local Govt	\$3.3 Bil	1994
<i>Daughters of Charity</i>	Religious	\$1.4 bil	1988
<i>Dole Food Company</i>	Corporation	\$240 Mil	1994
<i>Ferro Corporation</i>	Corporation	\$280 Mil	2004
<i>Goodyear Tire and Rubber</i>	Corporation	\$6.5 Bil	1983
<i>Health Net, Inc.</i>	Corporation	\$1.2 Bil	2003
<i>Horizon BC/BS</i>	Corporation	\$2.9 Bil	2001
<i>Houston Municipal Employees</i>	Local Govt	\$2.4 Bil	1995
<i>Knox County ERS, TN</i>	Fed/State Govt	\$170 Mil	2000
<i>Loyola University Chicago</i>	Educational	\$660 Mil	2003
<i>Massachusetts Port Authority ERS</i>	Fed/State Govt	\$410 Mil	1999
<i>Montgomery County ERS, MD</i>	Local Govt	\$3 Bil	1997
<i>Owens Corning</i>	Corporation	\$860 Mil	1985
<i>Ohio Police and Fire Pension Fund</i>	Fed/State Govt	\$12.6 Bil	1996
<i>Ohio Tuition Trust Authority</i>	College Savings Plan	\$5 Bil	2007
<i>Pennsylvania Public Schools</i>	Fed/State Govt	\$70 Bil	1998
<i>Southern Ute Indian Tribe</i>	Native American Nation	\$1.6 Bil	2002
<i>Teledyne Technologies</i>	Corporation	\$600 Mil	2001
<i>University of Connecticut Foundation</i>	Educational	\$320 Mil	2001
<i>University of South Florida Foundation</i>	Educational	\$170 Mil	2000
<i>Westinghouse Electric</i>	Corporation	\$300 Mil	1999



2. Provide a breakdown of clients gained and lost the past three years, including both fund size and type. Indicate reasons for any clients lost.

Below is a list of Wilshire Consulting clients gained in the last three years:

CLIENT	YEAR	PLAN TYPE	APPROXIMATE ASSET VALUE
<i>Concordia Plan Services</i>	2010	Corporation	NA
<i>CPS Energy</i>	2010	Corporation	\$1.3 Bil
<i>OM Group</i>	2010	Corporation	NA
<i>Non-discloseable Public Fund</i>	2010	Public	NA
<i>Non-discloseable Corporation</i>	2009	Corporation	\$2 Bil
<i>Sysco Corporation</i>	2009	Corporation	\$2.2 Bil
<i>Summit Health</i>	2009	Hospital	\$220 Mil
<i>Franchise Insurance Group</i>	2009	Corporate	>\$50 Mil
<i>Newell Rubbermaid</i>	2009	Corporate	\$500 Mil
<i>MTD Products, Inc.</i>	2008	Corporate	\$220 Mil
<i>Non-discloseable Non-profit</i>	2008	Non-profit	\$50 Mil
<i>Non-discloseable Trust</i>	2008	Corporate	\$500 Mil
<i>State of Maryland</i>	2008	Public	\$40 Bil
<i>Endowment for Inner-City Education</i>	2008	Endowment	\$80 Mil
<i>Summa Health Care</i>	2008	Corporate	\$300 Mil
<i>Montana Teachers</i>	2008	Public	\$100 Mil
<i>Orange Bowl Committee</i>	2008	Non-Profit	\$20 Mil
<i>Nevada Reno Foundation</i>	2008	Non-Profit	\$100 Mil
<i>Hawker Beechcraft</i>	2007	Corporate	\$850 Mil
<i>PPG Industries, Inc.</i>	2007	Corporate	\$5.2 Bil
<i>Non-discloseable Trust</i>	2007	Corporate	\$1.8 Bil
<i>State of Montana DC</i>	2007	Public	\$300 Mil
<i>Lanxess Corporation</i>	2007	Corporate	\$400 Mil
<i>Ohio Tuition Trust Variable Savings Fund</i>	2007	Corporate	\$5.9 Bil
<i>Stanford Hospital and Clinics</i>	2007	Hospital	\$800 Mil
<i>Community Partnership for the Homeless</i>	2007	Non-Profit	NA
<i>Doheny Eye Institute</i>	2007	Non-Profit	\$40 Mil
<i>National Education Association Foundation</i>	2007	Non-Profit	\$50 Mil
<i>Allegheny County</i>	2007	Public	\$700 Mil

Below is a list of Wilshire Consulting clients lost in the last three years:

CLIENT	YEAR	APPROXIMATE ASSET VALUE	REASON
<i>Children's Institute</i>	2010	\$100-\$500 Mil	Changed vendors
<i>Reynolds & Reynolds</i>	2010	\$100-\$500 Mil	Changed vendors
<i>ThyssenKrupp USA, Inc</i>	2010	\$1 - \$5 Bil	Changed vendors



<i>Medical Mutual of Ohio</i>	2009	\$100 - \$500 Mil	Terminated Plan
<i>City of Memphis</i>	2009	\$1 - \$5 Bil	Changed vendors
<i>University of Pittsburgh</i>	2009	\$1 - \$5 Bil	Changed vendors
<i>Los Angeles Library Foundation</i>	2009	\$1 - \$5 Bil	Discontinued use of a consultant
<i>New York Life Insurance</i>	2009	\$1 - \$5 Bil	Changed vendors
<i>Avon Corporation</i>	2009	\$1 - \$5 Bil	Outsourced
<i>Fletcher Jones Foundation</i>	2009	\$100-\$500 Mil	Changed vendors
<i>Carnegie Mellon University</i>	2009	\$1 - \$5 Bil	Changed vendors
<i>Buchanan Ingersoll</i>	2009	\$100-\$500 Mil	Consolidation
<i>Kaiser Aluminum and Chemical Corporation</i>	2009	\$100-\$500 Mil	Changed vendors
<i>BayCare Health System</i>	2008	\$1 - \$5 Bil	Changed vendors
<i>Town of Arlington ERS</i>	2008	\$100- \$500 Mil	Outsourced to State
<i>Rhode Island ERS</i>	2008	\$5- \$10 Bil	Changed vendors
<i>Mardag Foundation</i>	2008	<\$100 Mil	Consolidation
<i>City of Woonsocket</i>	2008	<\$100 Mil	Changed vendors
<i>Ohio Bureau of Workers' Comp.</i>	2008	\$15 - \$20 Bil	Changed vendors
<i>American Public Media</i>	2007	\$100- \$500 Mil	Discontinued use of a consultant
<i>United Water Resources</i>	2007	\$100-\$500 Mil	Changed vendors
<i>PSEG</i>	2007	\$1 - \$5 Bil	Changed vendors

3. Provide a list of at least six public employee retirement systems (primarily retirement plans of similar size as ours) for which your firm currently provides evaluation services, including system name and approximate value of investment portfolio. Also provide the address, telephone number, name and title of person who may be contacted for reference. Please obtain prior authorization for us to contact each reference.

We encourage you to contact our clients. However, as a matter of courtesy we would appreciate the opportunity to communicate to our clients first before any reference checks are made. Therefore, we request that you contact Bill Bensur at (412) 434-1580 should a reference check be required with any of the clients listed below.

Client served by the proposed consultant, Bill Bensur:

City of Grand Rapids Employees' Retirement System
City of Grand Rapids Police & Fire Retirement System

Mr. J. Patrick Scripps
 Chairman of the Board
 233 East Fulton, Suite 216
 Grand Rapids, MI 49503
 Phone: (616) 456-4300
 Client Since: 1998



Los Angeles County Employees Retirement Association

Ms. Lisa Mazzocco
Chief Investment Officer
300 North Lake Avenue, Suite 850
Pasadena, CA 91101
Phone: (626) 564-6132
Client Since: 2006

Pennsylvania Public School Employees' Retirement System

Mr. Alan Van Noord, Chief Investment Officer
5 North 5th Street
Harrisburg, PA 17101
Phone: (717) 720-4702
Client Since: 1998

Client served by other consultants within Wilshire Consulting:

Knox County

Ms. Kim Bennett, Executive Director
Room 371, City-County Building
400 Main Street
Knoxville, TN 37902-2409
Phone: (865) 215-2969
Asset Size: \$275 mil

Ohio Police & Fire Pension Fund

Mr. Ted Hall, Chief Investment Officer
140 East Town Street, 8th Floor
Columbus, OH 43215-5146
Phone: (614) 628-8414
Client Since: 1996

Tennessee Valley Authority Retirement System

Pat Brackett
400 Summer Place Tower - 400 West Summit Hill Dr
Knoxville, TN 37902
Phone: (865) 632-8578
Client Since: 1998



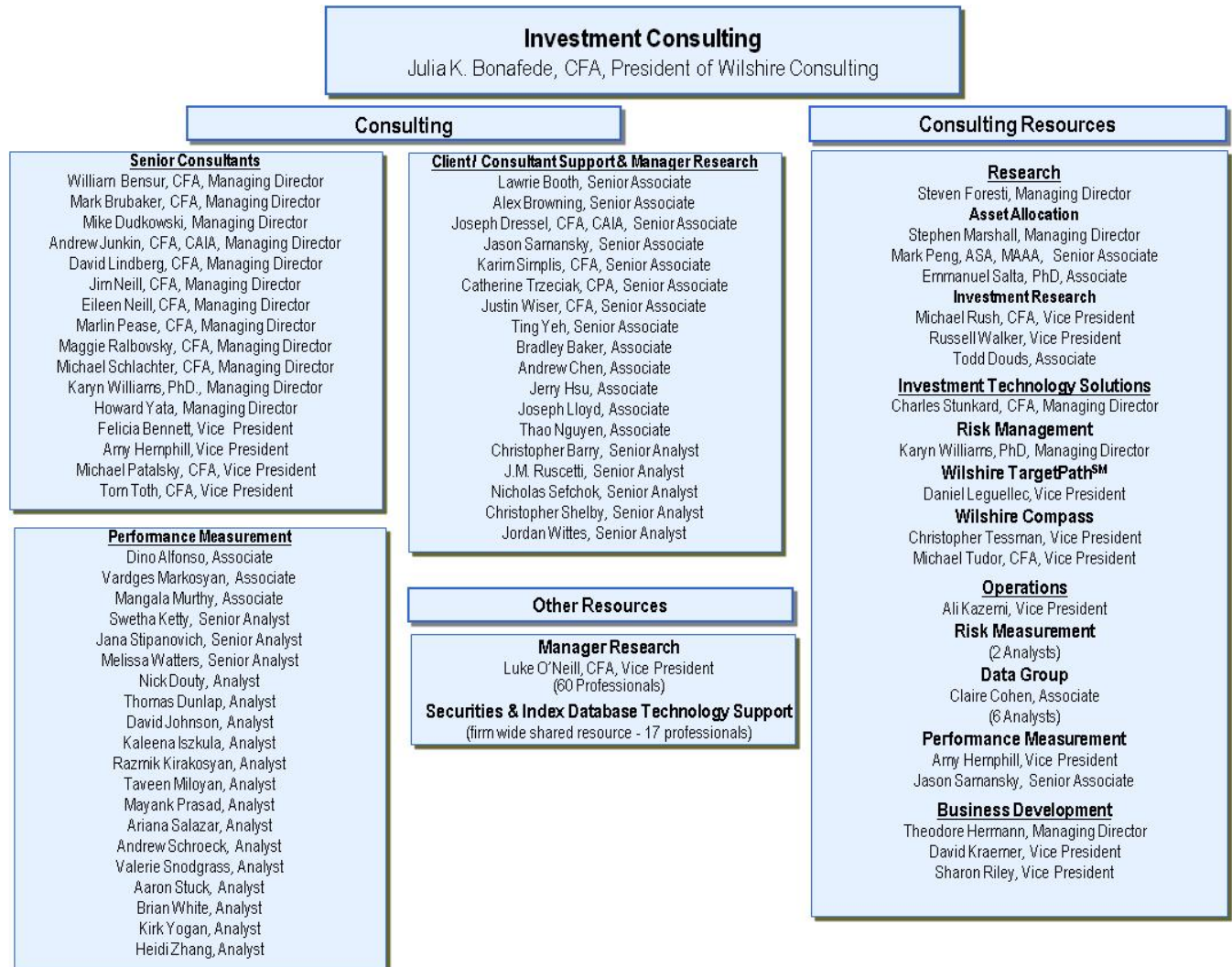
PROFESSIONAL STAFF

1. Please provide a detailed listing of your firm's professional staff by category including consultants and analysts.

Wilshire Consulting is comprised of approximately 90 professional employees, with departments in our Santa Monica, Denver, and Pittsburgh offices.

Wilshire has one of the lowest client to consultant ratios in the industry of 5 to 1. Wilshire delivers our consulting services to clients using a team approach. Each of Wilshire's consulting teams is composed of at least two senior consultants who manage the overall client relationship. Consulting associates provide back up for the senior consultants as well as research support for client projects. In addition to our consultants, research associates assist with regular client reporting requests and are supported by research and performance specialist that manage all data analysis. Team sizes vary by number of clients managed by consultants. Wilshire Consulting adds resources as necessary to maintain our high quality of service.

An organizational chart of Wilshire Consulting is provided below:



2. Provide the name(s) and locations of the individuals(s) who will be responsible for this account if your firm is awarded this contract. Provide a brief biography of each member of the team, including titles, functions, academic credentials, professional affiliations, relevant work experience, and number of years with your firm and any history of discipline from any regulatory agency.

The City of Fort Lauderdale consulting relationship would be managed from the Pittsburgh, PA office, where William G. Bensur, Jr., CFA, Managing Director, the proposed consultant and his team are based.



Wilshire Associates Incorporated
210 Sixth Avenue, Suite 3720
Pittsburgh, PA 15222
Phone: (412) 434-1580
Fax: (412) 434-1584

William G. Bensur, Jr., CFA, Managing Director. Bill has been with Wilshire since 1991 and is a senior consultant for the firm's investment consulting clients. In March of 2007, Bill was nominated and elected to the Wilshire Board of Directors. He has extensive consulting experience with all types and sizes of investment funds including corporate and public pension funds, endowments and foundations, and insurance portfolios. Prior to joining Wilshire, he spent five years at Mellon Bank where he managed the Pension Consulting Division. Prior to his experience at Mellon, he provided consulting services to pension plans and endowment / foundations for the Butcher Consulting Group. Bill received a B.A. in Finance and Economics from Westminster College. He holds a Chartered Financial Analyst designation and is a member of the CFA Institute and the Pittsburgh Society of Financial Analysts.

Marlin D. Pease, CFA, Managing Director. Marlin joined Wilshire in 2004 and is a senior consultant for the firm's investment consulting clients. Previously, Marlin was a member of the Wilshire Compass client service team. Prior to joining Wilshire, Marlin was a Senior Consultant with Yanni Partners where he provided consulting services to foundations, endowments, defined benefit and defined contribution plans. Earlier in his career, Marlin was the Director of Finance and Assistant Treasurer at the University of Pittsburgh. In addition, he has served as an adjunct faculty member at the University of Pittsburgh and La Roche College. Marlin received a Master of Information Science degree from the University of Pittsburgh. He holds a Chartered Financial Analyst designation and is a member of the CFA Institute and the Pittsburgh Society of Financial Analysts.

Amy J. Hemphill, Vice President. Amy has been with Wilshire since 1999 and provides consulting support to the firm's public and private pension fund clients. Prior to joining Wilshire, Amy spent over seven years with Yanni Bilkey Investment Consulting where she provided consulting analysis, software design and testing, and client support services. She holds a B.S. from Clarion University of Pennsylvania.

John M. Ruscetti, Senior Analyst. J.M. joined Wilshire in 2007 to provide performance measurement services for the consulting clients of Bill Bensur. He received degrees in both Marketing and Professional Golf Management at Pennsylvania State University. Before joining Wilshire, J.M. worked as a PGA professional for Troon Golf development and marketing.



Nicholas Sefchok, Senior Analyst. Nick joined Wilshire Consulting in September 2007, and is responsible for performance measurement and providing client support out of the Pittsburgh office. Nick received a B.S. in Finance from Juniata College in Huntingdon, PA and is a Level III candidate for the CFA designation.

3. If more than one person will be assigned responsibility for the account, how will the responsibility be allocated among these individuals?

Your proposed lead consultant, William G. Bensur, Jr., CFA, Managing Director, has overall responsibility for the coordination and management of Wilshire's relationship with the City of Fort Lauderdale, including any services or recommendations we provide. He will ensure that regular communication is maintained and that appropriate resources of Wilshire Consulting are employed. Bill will be assisted by Marlin Pease. In this role, Marlin will work closely with respect to consulting services and advice provided to the City of Fort Lauderdale. They will maintain detailed knowledge of your plan and its investments, and they are available to assist with day to day communications, projects, and meetings. Further, your account will also be serviced by Amy Hemphill, Vice President, and a team of performance analysts. These individuals are primarily responsible for assistance with analytical projects and for performance measurement and reporting services.

4. How many client accounts are assigned to each of the persons named above? What is the range in asset values of those client accounts? What is the maximum and average number of accounts assigned to each professional?

Bill and Marlin currently have 13 client assignments with assets ranging from \$20.0 million to \$47 billion.

We do not have a specific limit to the number of clients we intend to accept. We carefully review workloads to ensure that we do not overextend our consultants and to guarantee a high level of satisfaction to our current clients. With 25 consultants among 125 clients. Wilshire has one of the lowest clients to consultant ratios in the industry of 5 to 1.



5. Summarize the average annual turnover in your firm cumulative over the last 3 years measured as departures divided by the total number of employees. Describe the turnover of key professional personnel during the past 3 years and provide a brief

Turnover in key personnel in Wilshire Consulting over the past three years is as follows:

PERSONNEL TITLE	DEPARTED	HIRED
Lead Consultants - Managing Directors	1	1*
Consultants – Vice Presidents	3	1

*Joined Wilshire Analytics in 2001, transferred to Wilshire Consulting in 2007.

We believe Wilshire has been very successful in retaining investment consulting talent. This is evidenced by our low turnover among senior consultants and one of the longest tenure in the consulting industry of many of our professionals. We believe stability among our consulting staff is of paramount importance as it allows us to develop long-term relationships with our clients, thereby enhancing our ability to meet each client's individual needs.

6. Comment on how your firm attracts and retains motivated qualified professionals. What are your firms' continuing education requirements for its professionals?

Because our staff is comprised of investment professionals, the quantitative, theoretically-based consulting process at Wilshire provides continuous professional development and satisfaction. Wilshire offers young MBAs a career path so our consultants are mostly developed from within as opposed to hired from competing organizations. In this way, we can successfully instill in staff members Wilshire's consulting philosophy and produce consistent, high quality services as a result. Additionally, Wilshire encourages all of its consultants to further their educational careers by pursuing relevant degrees such as CFA and CAIA designations, and Wilshire provides financial assistance to alleviate the costs of the program.

Research analysts and performance measurement specialists attend a variety of in-house educational sessions providing them with the knowledge and expertise that allow for professional development within our business unit.

- Wilshire conducts a New Analyst Training Series for all those professionals that have recently joined Wilshire Consulting. These sessions serve to provide an overview of our consulting services, philosophy and methodology, and the analytical tools used in the performance measurement process. As new team members become more comfortable in their role and using our investment



products, we provide additional training sessions focused on the advanced usage of our analytical tools. These include: the Wilshire Compass, Wilshire AtlasSM, and Wilshire AxiomSM. Each tutorial is led by one of our senior professionals and we highly encourage all young staff members to attend.

- Senior professionals will conduct ad hoc training sessions designed to provide our staff with more in-depth perspective and knowledge on current issues and trends in the investment industry.

Wilshire has been a stable organization primarily because our employees enjoy a culture at Wilshire that is intellectually stimulating and where business decisions can still be made quickly. The organizational structure is flat, and thus review of new ideas and initiatives can happen quickly. Further, the CEO and business unit heads are involved with employees, having regular group meetings where ideas can be exchanged. No one is shy at Wilshire and we all recognize that you never assume where good ideas come from, you just have to recognize them when you see them. We believe that our entrepreneurial culture and the job security we can afford to provide for employees in the financial services industry allow our staff to show their creativity. Culture is probably the best means of retaining employees.

INVESTMENT CONSULTING SERVICES

Asset Allocation

- 1. Describe your firm's philosophy and approach to development of asset allocation strategies including methodology used for asset allocation modeling considering linkage to liabilities and funding, application of major variables (risk tolerance, etc.), and how frequently and under what conditions asset allocation should be changed.**

We believe that strategic asset allocation is the key to a successful investment program. Industry research and our experience prove that the asset allocation decision has the greatest impact on a portfolio's long-term return and risk profile. Wilshire embraced this important concept over 30 years ago when the firm developed one of the industry's first asset / liability models in 1974. Since that time, Wilshire has added to its asset allocation credentials by performing thousands of asset allocation studies and continually evaluating and enhancing our methodology.

Wilshire has continued this tradition by now offering a new approach to asset / liability modeling, which we call "Cost / Risk Optimization". This innovative approach is based on the dual objective of maximizing the safety of benefits at a given level of resources while simultaneously minimizing the long-term costs at an acceptable level of risk. Risk is defined differently for specific investor objectives,



and our approach explicitly minimizes the risk that is important to the fund. Our approach incorporates the best interests of the plan participants, taxpayers, and other stakeholders.

Wilshire utilizes proprietary optimization methodologies (as well as existing ones, such as mean-variance and surplus optimization) to select a comprehensive set of efficient policy portfolios. A stochastic simulation program illustrates the impact of the policy portfolio choice on funded levels, unfunded liabilities, and required resources. These simulations are based on forward-looking expectations (return, risk and correlations) for the major asset classes as projected by Wilshire's annual asset allocation study. The model simultaneously projects assets, actuarial liabilities, resources / revenues and benefits consistent with the plan's actuarial and capital market assumptions for as many years as needed.

The optimal policy portfolio is a function of the client's current financial condition, tolerance for various risks, overall investment objectives, liquidity needs, applicable legal constraints, unique considerations with respect to plan design or participants, and the capital market opportunities available to the client.

The Decision Process

The following diagram depicts a four-step process that Wilshire uses for recommending an allocation policy.

Step 1: Capital Markets Research

1. Annual capital market assumptions review
2. Historical and forward-looking analysis
3. Traditional and non-traditional asset classes

Step 2: Liability Analysis

1. Liability – the stream of benefit payments on the plan's design and population
2. Volatility of the benefit stream
3. Projected actuarial and accounting liabilities

Step 3: Asset / Liability Optimization

1. Proprietary models – safer benefits at lower cost
2. Traditional optimization methods (mean-variance and surplus optimization)

Step 4: Optimal Policy Portfolio

1. Stochastic simulation of selected policy portfolios
2. Optimal likelihood of shortfall
3. Optimal level of contributions
4. Optimal volatility of components of actuarial and accounting reports
5. Optimal asset side characteristics



Wilshire consultants work with each client to identify the opportunity set of asset classes to be considered and alternative portfolios that best meet long-term goals while minimizing short-term risks. After selecting the optimal policy portfolio, Wilshire prepares a written asset allocation policy that includes target allocations as well as a plan for ongoing “rebalancing” of assets to the target asset allocation.

Step 1: Capital Markets Research

Wilshire believes that the quality of asset class assumptions for return and risk is as important as the sophistication of its asset allocation technology. Clients comment favorably upon the intellectual process Wilshire uses to forecast asset class expected returns, risk, and correlations.

Wilshire uses forward-looking valuation models that capture market consensus expectations rather than relying solely on the common practice of extrapolating past performance to project future performance. For example, a dividend discount model used to forecast stock returns and Treasury Inflation Protection Security (“TIPS”) yields are compared to traditional Treasury yields to forecast inflation. Wilshire published a paper in The Journal of Portfolio Management (1997) describing a unique method for forecasting returns and risk on alternative investments. This is particularly important because most practitioners overstate returns and understate risk on alternative investments. Wilshire prepares a research report for its clients at the beginning of every year describing its recommended long-term asset class return and risk assumptions for all the asset classes. A copy of our 2010 Asset Allocation Report is included in the **Appendix, Tab 4**.

Step 2: Liability Analysis

Wilshire’s Commitment Driven Investing (CDI) model focuses on the true liability of the plan – the stream of benefit payments promised to plan participants. The structure of the liability is at the front and center of the analysis. In order to develop the stream of benefit payments, Wilshire relies on long-term demographic assumptions developed by the plan’s actuary for the purposes of the annual actuarial valuation. Wilshire’s objective is to expand the work your actuary has already performed by including the volatility of the liability and incorporate the resulting object (“the pension commitment”) into the asset allocation framework. As a result, the model presents an internally consistent approach to both actuarial and asset allocation work.

The plan has made a commitment to provide retirement benefits to plan participants. The goal of the plan sponsor is to fund the pension commitment – the stream of benefit payments determined by the plan’s population and benefit package. The volatility of the benefit stream is, for the most part, caused by inflation. The plan’s actuary usually provides a point estimate for each payment in the stream (otherwise,



Wilshire uses its proprietary models to do so). Then Wilshire analyzes the volatility of the stream and incorporates potential benefit improvements, if any. Given the inflation-related nature of the volatility of the benefit stream, it is critical to ensure that our modeling of inflation impacts the asset and liability sides in a consistent manner. The augmented benefit stream is one of the cornerstones of Wilshire's asset / liability optimization model.

The actuarial and accounting liabilities are important, as well. Starting with the plan's demographic characteristics at the present, Wilshire models future actuarial and accounting liabilities by moving the existing population forward, utilizing the demographic assumptions provided by the actuary. Future entrants usually replace the plan participants who leave active status. Wilshire's models can incorporate growing or declining active populations as well. As a result, Wilshire generates a series of actuarial and accounting liabilities for as many years as needed. Some of those liabilities are modeled in a deterministic way, while others are modeled in a stochastic way in order to stay consistent with certain bond portfolios on the asset side. All these liabilities are subsequently used in stochastic simulations of the plan's reporting condition.

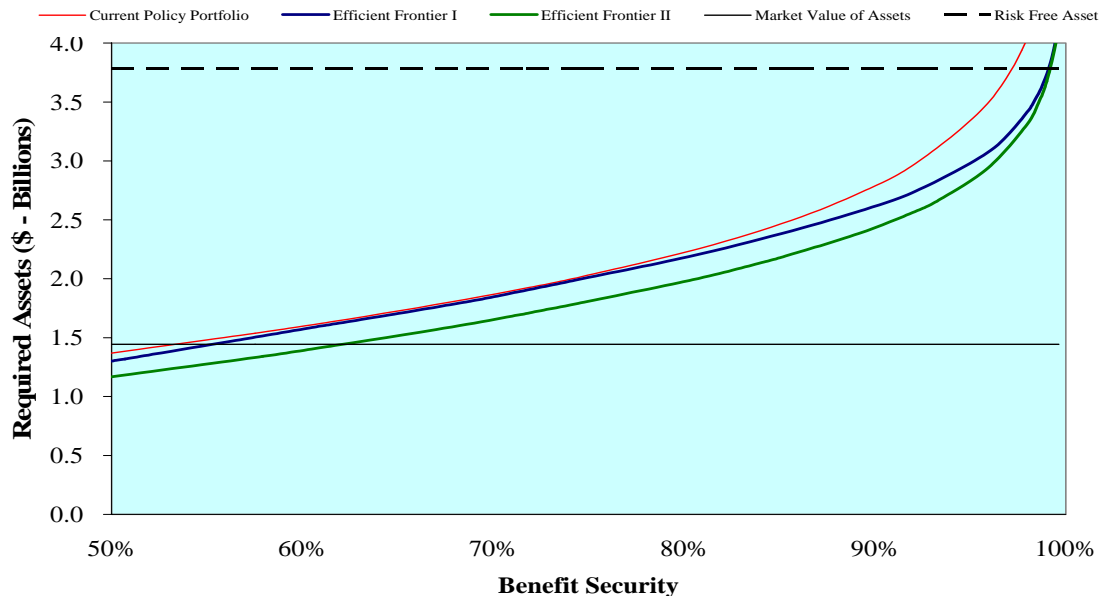
Step 3: Asset / Liability Optimization

Optimization procedures are at the heart of the portfolio selection process. Wilshire has extensive experience in dealing with traditional portfolio optimization methodologies such as mean-variance and surplus optimizations. We realize that mean-variance optimization is still popular among many plan sponsors; surplus optimization has gained some popularity lately as well. Consequently, these methodologies are readily available for our clients. However, we believe that Wilshire's optimization technique is a superior approach as it is directly related to the plan's core business.

The following principles are the foundation of Wilshire's approach to asset / liability optimization: 1) The core business of a pension plan is to fund the pensions promised to participants; 2) The primary risk to the core business is to run out of money before the plan has met the terms of its commitments; 3) The role of the policy portfolio is to manage the riskiness of the plan's core business.



Cost-Risk Efficient Frontiers



This recognition implies two objectives for the optimal policy portfolio. First, for every level of future contributions, it is desirable to produce the policy portfolio that maximizes the likelihood that this level of contributions is sufficient to fund promised benefits. In this case, it is in the best interests of the plan participants to maximize the safety of benefits at reasonable cost. Second, for each level of risk, it is desirable to minimize the present value of future contributions that is sufficient to fund promised benefits at this risk level. It is clearly in the best interests of shareholders to minimize the cost of providing pension benefits at a reasonable risk level. Wilshire can demonstrate that both objectives lead to the same set of policy portfolios. The resulting efficient frontier (“the cost-risk frontier”) contains policy portfolios that take into account the primary concerns of plan participants (“safer benefits”) and plan sponsor (“lower cost”). The frontier also helps to identify the tradeoff between the plan’s potential funding shortfall and future costs.

Wilshire considers each client’s unique financial condition to determine the most appropriate measurements of risk. Wilshire then selects the optimization methodology that properly reflects the client’s risk profile. In most cases, as recognition of the fact that each client faces a multitude of risks, Wilshire builds several efficient frontiers based on various definitions and measurements of risk.

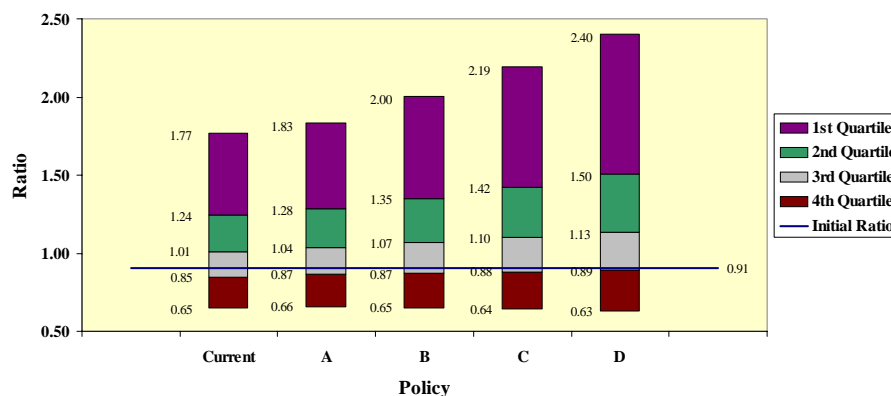


Step 4: Optimal Policy Portfolio

The optimal policy portfolio can be selected based on an acceptable level of contributions or shortfall risk. However, Wilshire recognizes the importance of the components of actuarial and accounting reports. We employ stochastic simulation to allow the client to hypothetically pre-experience the impact of alternative investment strategies on the components of those reports in the future.

Several policy portfolios – from conservative to aggressive – are selected on the frontier(s) generated during the asset / liability optimization step. A stochastic simulation program illustrates the impact of the policy portfolio choice on funded status, unfunded liabilities, and required contributions. These simulations are based on forward-looking expectations (return, risk and correlations) for the major asset classes as determined by Wilshire’s annual Asset Allocation Study. The model simultaneously projects assets, actuarial liabilities, contributions and benefits consistent with the plan’s actuarial and capital market assumptions for as many years as needed. The policy portfolios that generate unacceptable volatility levels of the funded status, unfunded liabilities, or required contributions are rejected.

Distribution of Funded Ratio



Wilshire works closely with clients to determine the optimal policy portfolio for their needs. This also means deciding how much risk to take. This can only be done by close evaluation of the tradeoffs between long-term funding and possible short-term losses from negative investment returns. The clear identification of objectives and the hierarchy of the objectives is an important part of this strategy. We have found that there is no simple formula; rather, our responsibility is to give decision-makers the tools they need to make an informed decision.

Like any asset / liability model, the input assumptions have a great deal of impact on the results. We spend considerable internal resources in developing our annual view of expected returns, volatility, and correlations. In performing our studies, we examine the sensitivity of the results to initial assumptions and discuss the import of



this with our client. In cases where the staff of investment professionals will likely have well-defined views on the capital markets, we would incorporate their views into the range of initial inputs. By varying these inputs and discussing the ramifications thoroughly with our clients, we are able to convey a more robust and richer picture of the risk / return tradeoffs.

After selecting the optimal asset mix, Wilshire formulates policy ranges for each asset class and identifies the rebalancing strategy. Wilshire recommends performing an asset / liability study at the inception of a new relationship. This initial study is intended to help your consulting team gain a better understanding of your plan and insure that your fund currently has the optimal asset allocation given your objectives. Wilshire's standard practice is to conduct subsequent asset / liability studies once every three to five years. These studies should be conducted more frequently if there is a meaningful change to the plan, such as a freeze in new benefit accruals, or to the financial condition of the plan sponsor.

2. What type of software do you use to model liabilities? Is this proprietary or other software?

Wilshire's Commitment Driven Investing (CDI) model focuses on the true liability of the plan – the stream of benefit payments promised to plan participants. The structure of the liability is at the front and center of the analysis. In order to develop the stream of benefit payments, Wilshire relies on long-term demographic assumptions developed by the plan's actuary for the purposes of the annual actuarial valuation. Wilshire's objective is to expand the work your actuary has already performed by including the volatility of the liability and incorporate the resulting object ("the pension commitment") into the asset allocation framework. As a result, the model presents an internally consistent approach to both actuarial and asset allocation work.

The plan has made a commitment to provide retirement benefits to plan participants. The goal of the plan sponsor is to fund the pension commitment – the stream of benefit payments determined by the plan's population and benefit package. The volatility of the benefit stream is, for the most part, caused by inflation. The plan's actuary usually provides a point estimate for each payment in the stream (otherwise, Wilshire uses its proprietary models to do so). Then Wilshire analyzes the volatility of the stream and incorporates potential benefit improvements, if any. Given the inflation-related nature of the volatility of the benefit stream, it is critical to ensure that our modeling of inflation impacts the asset and liability sides in a consistent manner. The augmented benefit stream is one of the cornerstones of Wilshire's asset / liability optimization model.

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3. How many asset/liability studies has your organization performed in the last three years?

Wilshire Consulting's Asset Allocation Group performs approximately 50-60 unique asset/liability studies a year. If including multiple iterations, the Asset Allocation Group performs 100-120 studies a year.

4. What type of software do you use to view assets and their allocation?

We take full advantage of Wilshire's stature as a leading provider of analytical software to the investment industry. These products include Wilshire Consulting's Wilshire Compass, and Wilshire Analytics' Wilshire AtlasSM, Wilshire AxiomSM, and Wilshire AbacusSM.

Our technological capabilities, combined with the experience and skills of our consulting staff, enable us to assist clients with almost any investment issue imaginable. Wilshire builds all its own software using Java, Microsoft SQL, Windows C/C++ with C-tree database, which it can control and customize in order to meet clients' needs. Below is a listing of primary technology and capabilities used to support the efforts of Wilshire Consulting.

The Performance Measurement Group works on a proprietary Wilshire developed Windows-based software application delivered through a UNIX server to staff PC's. Wilshire's proprietary performance measurement software systems combine the latest innovations in performance attribution analysis with Graphical User Interface (GUI) technology to yield a self-contained, highly flexible, fully networkable reporting software package. The system is updated on an as needed basis, with periodic major overhauls about every five years. No portion of performance production work is subcontracted to an outside entity. Clients can access and print out completed performance measurement exhibits and reports through the Internet by accessing Wilshire's home page and using client password protection. Client reports are customized to report on specific client portfolios with comparison to selected indexes and universes.



The Wilshire Compass is a Windows-based software application that provides clients with analytical tools to evaluate managers, investment structures, and asset allocations, as well as access the Wilshire research. Wilshire Compass clients can receive updates to their software, which includes extensive manager and index databases, via the Internet. The Wilshire Compass is a desktop multi-tiered visual basic application with SQL Server 2000 as its database engine. Wilshire's consultants use these products daily in conduction analyses for their clients.

Wilshire's extensive databases, which are centrally managed, are also frequently used by Wilshire Consulting. This includes securities pricing and fundamental characteristics for equities, fixed income, and real estate and other assets. This is data that Wilshire receives from a variety of external sources, and then monitors and warehouses centrally on a server for access and use by the various systems and services delivered by Wilshire. Other databases maintained are index and manager universe information, used principally for the Wilshire Compass and the performance measurement system.

The Wilshire Quantum SeriesSM is Wilshire's family of investment technology software components providing performance measurement, performance attribution, risk management, portfolio optimization and trade order management for multi-currency portfolios. Today, Wilshire provides technology tools to hundreds of institutions worldwide.

The Wilshire AbacusSM is a comprehensive multi-currency GIPS-compliant performance measurement system. It supports the full range of investment instruments and, due to the Wilshire Abacus' flexible underlying architecture, can be modified easily to support new instruments. A flexible text and graphical custom report writer enables generation of holdings, transaction, and performance reports.

The Wilshire AtlasSM provides an integrated collection of tools to manage and analyze global equity portfolios for both active and passive strategies. Its large historical database of pricing and fundamentals for over 75,000 U. S. and international securities provides a foundation for daily performance attribution, risk analysis, portfolio construction, and optimization. Additionally, the Wilshire Atlas' index fund maintenance tools allow full benchmark replication, stratified sampling techniques, tilt fund strategies, and tax-efficient trading strategies, and supports rebalancing as often as daily.

The Wilshire AxiomSM provides a complete set of applications for managing risk and enhancing returns and analyzing the impact of portfolio construction on risk and return in global fixed income portfolios. It allows users to analyze portfolio risk and performance in a multi-factor risk model framework. The Wilshire Axiom is a



powerful portfolio optimization tool; along with standard indexation, immunization and dedication strategies, users can use interest rate forecasts to create portfolios with optimal projected performance. Liability and cash flow analyses are also available.

The Wilshire Quantum SeriesSM of software products, the Wilshire AtlasSM (U.S. and non-U.S. equity), and the Wilshire AxiomSM (U.S. and non-U.S. fixed Income), are used extensively for complex analysis on equity and fixed income portfolios. Wilshire Consulting uses and incorporates into its own services, particularly through the Wilshire Compass and the Performance Measurement system, the analytical tools developed on the Wilshire AtlasSM and Wilshire AxiomSM for fixed income and equity analytics.

The Wilshire iQuantumSM is an integrated performance measurement, performance attribution and risk management solution for multi-currency, multi-asset class portfolios. Wilshire iQuantum is built on the foundation of more than three decades of Wilshire's sophisticated analytical models to provide the most robust attribution and risk analytics in the investment industry. Building on the success of the popular Quantum suite, Wilshire iQuantum assists firms with portfolio analysis, management and reporting.

Wilshire Risk Management Consulting - Since the inception of our Consulting practice nearly 30 years ago, Wilshire has worked with clients to identify risks that will not be systematically rewarded and to implement structures that help minimize or eliminate those risks. Very few organizations are structured to combine plan sponsor know-how, analytical expertise and technical systems – essential elements required to support plan sponsor risk management. Wilshire's ability to leverage these resources puts us in a unique position to define best practices.

Wilshire also has a website (www.wilshire.com) where clients can access research reports (i.e. *Wilshire Perspectives*), Wilshire index performance and composition, and the Wilshire Compass downloads. Furthermore, Wilshire offers clients the ability to access historical monthly and quarterly performance reports through a fund-specific password-protected area of our website.

All aspects of Wilshire Consulting capabilities are provided to clients through the consultants as part of our full retainer fee. This includes manager research databases, index performance, etc. If a client wants to work directly with specific tools such as the Wilshire Compass or the Wilshire AtlasSM (equity portfolio global risk analysis), this can be incorporated into our service fee offer.



Board Education

1. What resources (i.e., human resources, internal research, conferences or seminars, industry information, etc.) will your firm draw upon to provide our plan fiduciaries with board education?

Wilshire believes, first and foremost, that our role is an extension of our clients' internal staff and as a resource to our clients' Boards and Committees. As such, we have always emphasized fiduciary education as the primary means of enabling our clients, as fiduciaries, to build sound investment processes and make efficient and appropriate investment decisions.

We believe we have one of the deepest investment research capabilities amongst our peers, as we have always maintained a dedicated capital markets and actuarial research effort. We have only broadened this research effort in recent years in recognition of the many more investment opportunities and decisions facing our plan sponsor clients given the increased breadth of strategies and asset classes. As we only work with clients on a retainer basis, we expect to be retained through the long term so that we, and our clients, will be able to measure the efficacy of our advice. Thus, we are very focused on ensuring our clients understand all facets of the decisions they are making so that everyone will be satisfied with the ultimate outcome. This is only achieved through regular education and communication. Wilshire has provided educational sessions to its clients on a number of topics, including: Financial Futures, Fixed Income Strategy, International Investing, Performance Fees, Securities Lending, Strategic Asset Allocation and Tactical Asset Allocation. All of these sessions have been geared to assist a busy committee and internal staff in learning about emerging and complex investment issues.

Additionally, Wilshire Consulting formally holds a client seminar once a year. During this seminar we hold sessions outlining our research findings on contemporary topics of interest, workshops which include plan sponsor involvement and updates on topics that evolve over a period of time. Wilshire's seminars are conducted entirely by our consultants. Every consultant participates by providing research on important and relevant investment topics. Wilshire believes this approach requires our consultants to remain "on top of changing events" in the marketplace.

2. How often will these resources be available to our plan fiduciaries?

These resources will be available to the City of Fort Lauderdale on an ongoing basis.



Investment Manager Searches and Monitoring

1. Describe your firm's experience and capabilities in conducting searches for investment managers.

Wilshire has extensive experience and capabilities in conducting investment manager research and client-directed searches for investment advisors. The quality of our manager research capabilities is defined by the depth and experience of Wilshire's Manager Research Group and the method through which we obtain manager product information. Also, Wilshire's proprietary analytics, and the fact that we collect and store portfolio level data, provide us with advanced manager portfolio insights. This is a capability not offered by our peers, who rely predominantly upon historical return data as the basis for their views on managers. In addition to our databases, which are free and open for participation to all institutional managers, we also have a full-time, dedicated staff of manager research professionals.

Wilshire's Manager Research Group (six full-time dedicated professionals) conducts ongoing evaluation and monitoring of manager products through the use of our comprehensive manager database, formal scoring process, and extensive consultant involvement through investment committees. Product specialists, similar to industry analysts in large investment management firms, are assigned to cover an individual asset class or a subset of an asset class. It is their responsibility to review and rank managers based on quantitative scoring and qualitative evaluation derived from interviews, on-site due-diligence, and scoring of the qualitative questionnaires submitted in our database. Our research platform is open to any manager who wishes to submit answers to our detailed questionnaires. The product specialists' analyses help Wilshire ensure that we maintain a stable of high quality, institutionally oriented, investment managers for use in our clients' portfolios.

Generally, Wilshire's Manager Research Group meets with active top tier managers on a face-to-face basis once per year. Often, as part of our due diligence process, this meeting takes place on-site at the manager's offices. For passive or quantitative managers, frequency is dependent on organizational issues. The manager research analysts conduct daily meetings with all classes of investment managers both in our offices in Santa Monica and Pittsburgh.

When conducting an on-site visit, our manager research specialists spend several hours in an investment manager's office, meeting with key investment professionals, senior business management professionals and operations professionals on an individual basis. Wilshire observes the investment process (e.g. attend investment meetings), reviews internal research, assesses portfolio management / research tools (e.g. databases, valuation models, etc.), reviews compliance procedures, and assesses



trading capabilities. Manager research professionals and consulting staff meet with approximately 1,500 managers per year. Generally, Wilshire's Manager Research Group meets with all top tier managers on a face-to-face basis once per year. Additionally, consultants meet with each of their clients' managers at least annually; many of these meetings are conducted on site.

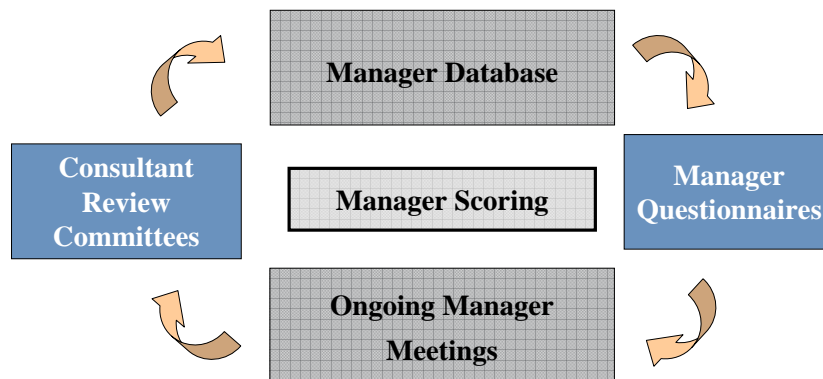
2. Describe in detail the process you will use to conduct manager searches for our plan.

Wilshire's manager research process involves two distinct steps: (1) ongoing manager research and evaluation and (2) client-directed manager searches and selection. Both the evaluation and the selection processes rely on our manager research staff, databases and technology, evaluation model, and Wilshire consultants.

Manager Search Process

Wilshire's search process starts with our dedicated Manager Research Group, which conducts ongoing evaluation, monitoring and in-depth research of manager products using our comprehensive manager database, formal scoring process, and extensive consultant involvement through investment committees.

The following exhibit illustrates the manager evaluation process:



Manager Database

Wilshire collects and maintains its proprietary and internally developed database of investment managers and advisors.



Currently Wilshire's investment product database is divided into the following major groupings:

ASSET CLASS	CURRENT NUMBER OF INVESTMENT PRODUCTS
<i>U.S. Equity</i>	3,732
<i>Non-U.S. Equity</i>	1,859
<i>U.S. Fixed Income</i>	1,391
<i>Global Fixed Income</i>	459
TOTAL	7,441

Our internally developed database also holds 389 hedge fund-of-funds investment products and 569 hedge fund products. We maintain separate databases of approximately 70 private equity fund-of-funds products and 100 private real estate managers.

Manager Scoring

The Manager Research Group scores managers on the following six qualitative components: Organization, Information, Forecasting, Portfolio Construction, Implementation and Attribution. Each of the components is scored separately on a scale of 0 to 5 with 5 being the highest. The peer universe is normally distributed with 2.5 being the median. The score reflects the analyst's view of the manager's ability to add value through different stages of the investment process relative to its peers.

The six components and their relative weightings are described below.

Organization (20%) – For an investment strategy to thrive, it must be the product of a solid team and a stable organization. Here, we look for teams with experience, maturity and vision. We look for organizational cultures that can attract and maintain such teams through ownership structures, compensation levels and benefits.

Information Gathering (20%) – It is generally accepted in financial theory that new information drives security prices at the margin. This is observed empirically as well. Therefore investment managers must have a robust infrastructure for gathering and processing information related to securities. Specifically, we want to know how much managers know about any specific company / security which is in their investable universe. We are interested in the depth of the information gathering process, not necessarily the breadth. We like to see managers with multiple sources of information. We like managers that gather the information through their own efforts, such as on-site meetings and industry conferences. We like managers to understand what information is largely discounted in the present security price and what information is unique, or non-consensus.



Due to regulations regarding the disclosure of financial information and the wide availability of electronic databases, it is hard for managers to develop truly unique sources of information. This is an area where it is hard to stand out, yet easy to fall behind. However, it is a crucial component of the investment process and is the foundation on which the next stage is built.

Forecasting (20%) – Once a manager has information, he / she develops an outlook for the security. This outlook will always imply a forecast. In most cases the manager arrives at a valuation for the security which is the manager’s forecast of the “intrinsic” value. Basically, we would like to know how predictive are the manager’s forecasts or how accurate are the manager’s valuations. In evaluating the forecasting process we want to understand how valuations are created, the robustness and sensibility of the process. We want to understand under what condition the valuation process is likely to work. Are we likely to see that environment in the investment style to which the manager belongs? What is the weakness of the valuation process? What are the critical variables that the manager needs? Is it a key discount rate, earnings growth or all of the above? Finally, we want to assess the degree to which the manager understands these same issues. No manager is likely to have the “silver bullet” for every situation and we are more comfortable with managers who understand the limitations of their process.

Portfolio Construction (20%) – Building upon a developed forecast, the manager must bring additional information for constructing the portfolio. Not only should the manager know which securities he / she would like to own, but also understand the risks inherent in each security and then reconcile the return opportunity with that risk. Therefore, we look at how managers consider risk, how they create positions, how they manage or trim positions and how they terminate positions. Each of these decisions requires balancing the return opportunity with risk.

Implementation (10%) – Unfortunately, it is not sufficient to know which portfolio is best suited to the information. One must also go out into the market and obtain that portfolio. Our process assesses the manager’s ability to transact in the marketplace and reviews trading to the success of the overall strategy. Strategies in which there are a sizable amount of assets or those which have a high level of turnover need to have advanced trading capabilities. Managers need a keen awareness of trading costs. By evaluating brokers, managers could gain a competitive edge through transaction cost management. Wilshire considers the portfolio, accounting, investment guideline compliance and regulatory compliance efforts as well when evaluating implementation issues.

Attribution (10%) – Finally, our manager evaluation process assesses the manager’s ability to understand outcome. In the most simplistic schemes, managers are concerned solely with performance. However, attribution (that a manager performs



himself / herself) is review for an equally powerful purpose: the path to improvement. It informs the manager as to what is working and what is not. More sophisticated attribution provides a link between each stage of the investment process and the return associated with that stage. These links can provide important direction as to how the manager should adjust their process to attain or keep a competitive edge. Many managers make a point of “sticking to their discipline” during periods of underperformance but fail to realize that is due, in part, to outdated valuation methodologies and / or portfolio construction techniques. Attribution provides the means by which managers can stay competitive.

Quantitative Scoring

Wilshire Consulting has developed another way to evaluate managers by using a quantitative based scoring system for summarizing historical manager performance in a single number. In our opinion, the most important step – and most time consuming – in manager selection is the qualitative evaluation, focusing on the organization, investment philosophy and process, resources, etc. However, a manager’s performance history up to the evaluation date also needs to be analyzed to determine how their qualitative attributes have manifested themselves in risk and return. The difficulty lies in identifying meaningful metrics, choosing an appropriate time period, adjusting for risk and considering how a manager’s competitors have performed. Wilshire Consulting’s Historical Investment Performance (WHIP) Score is an effort to evaluate risk and return across these various dimensions and summarize the results in one number to facilitate the performance comparison of competing managers.

The WHIP score is comprised of three tests plus an adjustment factor. The Skill Test measures a manager’s return in excess of a benchmark and evaluates that performance in relation to the excess risk that the manager has exhibited. The goal is to determine whether a manager’s bets versus the benchmark are “paying off” and to be able to fairly compare one manager to the next. While the WHIP score seeks to automate the quantitative scoring process, clients are still free to request and review a detailed custom quantitative analysis of a manager’s performance or any other scoring methodology that they may prefer.

Manager Questionnaires

Wilshire’s manager data is collected directly from managers through their responses to our quantitative and qualitative questionnaires and website data submissions. Wilshire’s databases are unique in that actual equity manager portfolios are input into our databases so that portfolio characteristics can be calculated in a uniform fashion across all managers, making manager comparisons more accurate. Fixed income portfolio characteristics data is collected with explicit instructions that managers utilize Wilshire’s methodology for calculating current yield, yield-to-maturity duration and convexity in order to ensure uniformity of these measures.



Quantitative Information: Wilshire utilizes an internally developed web-based data collection facility, known as Wilshire Odyssey, to help managers and Wilshire in the creation and retrieval of quantitative information. This information is then input into our proprietary Wilshire Compass system. Our quantitative questionnaires are designed to provide comprehensive profiles of managers who extend beyond just performance numbers and include general business information such as key professionals, investment process, research sources, investment style, fees, and performance, including how performance is calculated. Additionally, we also process portfolios submitted by managers. Performance data, of course, goes back to inception of the investment product and is maintained on at least a quarterly basis. Wilshire also requests a response from the manager regarding CFA Institute compliance and outside audit verification. Minority-owned, women-owned, and disabled veteran-owned managers are incorporated into the Wilshire database in the same manner as other managers, according to asset class. Wilshire uses its security databases to calculate portfolio characteristics, which are consistent across managers and over time. This capability also differentiates Wilshire's databases from others. We calculate portfolio characteristics for most managers, which include:

- # Portfolio holdings
- Debt ratings (bonds)
- Risk measures (beta, debt / equity ratio)
- Growth measures (ROE, earnings growth)
- Maturity, duration (bonds)
- Industry weightings
- Country weightings
- Value measures (P/E, P/B, yield)
- Market capitalization measures
- Mortgage, corporate weightings

Qualitative Information: Wilshire collects and maintains a universe of qualitative questionnaires submitted by investment managers for the products they offer. Three types of questionnaires are collected from each firm: one addressing the firm, one addressing the asset class and one that is product specific. These questionnaires are maintained electronically. Additionally, comparisons are more accurate. Fixed income portfolio characteristics data is collected with explicit instructions that managers utilize Wilshire's methodology for calculating current yield, yield-to-maturity duration and convexity in order to ensure uniformity of these measures.

Wilshire places much greater emphasis on the assessment of qualitative variables when evaluating organizations and their respective products. Our manager selection and review process is labor-intensive and forward-looking, with predominant weighting given to qualitative factors that we believe are supportive of possible



manager out-performance in the future. Key characteristics that Wilshire may focus on are:

- Organizational and / or ownership structure that promotes professional stability, organic growth and a commitment to excellence.
- A compensation structure that clearly and effectively aligns investment professionals' and clients' interests (e.g., a significant portion of professional compensation is tied to client investment results).
- A stable, cohesive and seasoned investment professional staff with strong leadership.
- A clearly articulated investment philosophy that is well supported by empirical evidence.
- A disciplined investment process that can consistently capture an inefficiency or anomaly in the market.
- Clear lines of decision making authority and accountability.
- Consistent, risk-adjusted performance.
- Competitive and reasonable fees.

Ongoing Manager Meetings

Another important part of our manager evaluation process is manager meetings, which are conducted on an on-going basis by both Wilshire's Manager Research Group and our investment consultants. Wilshire conducts meetings both at Wilshire offices and on-site at manager offices. When conducting an on-site visit, our manager research specialists spend several hours in an investment manager's office, meeting with key investment professionals, senior business management professionals and operations professionals on an individual basis. Wilshire observes the investment process (e.g. attend investment meetings), reviews internal research, assesses portfolio management / research tools (e.g. databases, valuation models, etc.), reviews compliance procedures, and assesses trading capabilities. Manager research professionals and consulting staff meet with approximately 1,500 managers per year. Our extensive dealings with managers have allowed us to develop a manager due diligence checklist that details specific issues that should be explored during on-site visits.

Review Committees

After all products under consideration have been given a preliminary score by our Manager Research Group, Wilshire consultants become actively involved in the process through Product Review Committees. Wilshire consultants' experience specifically contributes to the manager research process. In addition to the Manager

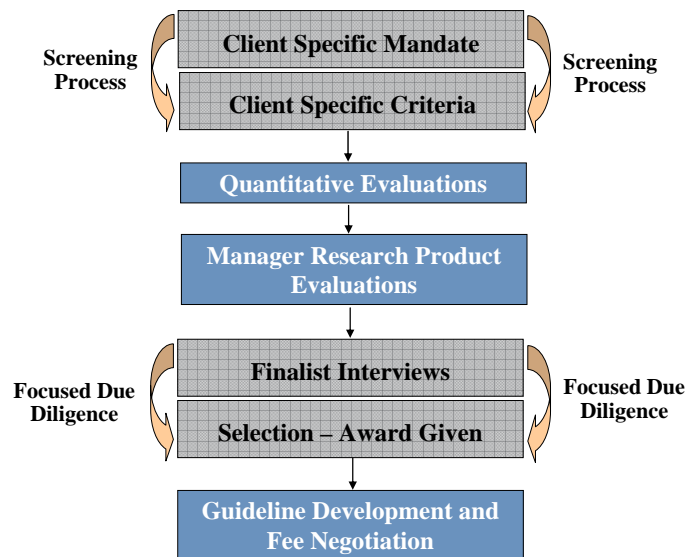


Research Group product specialists, every category is overseen by a Product Review Committee made up of at least three senior consulting professionals. The Committee's role is to interview the top manager candidates and assign final product rankings. The product evaluations and rankings are used by all Wilshire consultants to assist clients in the selection of new products and the evaluation of existing products.

The consultant then works with the client to determine screening criteria so that a suitable candidate list can be identified. The client's input is critical at this step of the process. Our manager database allows us to screen for over 100 different criteria, including special circumstances.

Manager Recommendation Process

Utilizing the scores produced by our manager evaluation process, we work with our clients to make a final selection, as illustrated below:



The selection process begins by clearly defining the client's investment assignment and selecting the top 10-20 managers within the asset class and style. This allows us to narrow the field to the most qualified candidates.

Wilshire considers each client's unique circumstance in the selection of investment managers. We are particularly attuned to a client's risk tolerance, and we are careful to incorporate those sensitivities into the selection process. During this review, the client's committee often selects finalist candidates for interviews. Interviews typically consist of a formal presentation at the client or Wilshire's office. Finally, following the interviews of the finalist candidates, a selection is made by the client.



3. Describe your manager search database, including the number of managers it contains, the source of information, the process of manager inclusion and under what circumstances a manager would be removed.

Wilshire collects and maintains its proprietary and internally developed database of investment managers and advisors. Currently, Wilshire's stock and bond manager databases cover over 7,000 investment products, almost 23,000 mutual funds, and approximately 5,000 hedge funds¹. Wilshire's investment product database is divided into the following major groupings:

ASSET CLASS	CURRENT NUMBER OF INVESTMENT PRODUCTS
<i>U.S. Equity</i>	3,732
<i>Non-U.S. Equity</i>	1,859
<i>U.S. Fixed Income</i>	1,391
<i>Global Fixed Income</i>	459
TOTAL	7,441

Our internally developed database also holds 389 hedge fund-of-funds investment products and 569 hedge fund products. We maintain separate databases of approximately 70 private equity fund-of-funds products and 50 private real estate managers. In addition, our real estate database has more than 100 managers.

Manager data is obtained directly from investment managers, who fill out Wilshire's quantitative and qualitative questionnaires on a quarterly basis. Over 52 pieces of business information are collected which encompass key professionals, investment process, research sources, investment style, fees, and performance, including how performance is calculated. Additionally, we also process portfolios submitted by managers, which give us over 60 pieces of quantitative information. All of this information is gathered via Wilshire Odyssey, our on-line data submission site. Because there is no manual input, the data is not subject to error after it enters Wilshire's databases. The managers themselves can erroneously input data. There are automated checks built into the system which enable us to go back to the managers and report apparent errors. Wilshire uses its security databases to calculate portfolio characteristics, which are consistent across managers and over time. This capability differentiates Wilshire's databases from others.

Business and portfolio information combine into approximately 110 data items, which for most database managers extends back more than five years. Performance

¹ External vendors provide hedge fund and mutual fund databases.



data, of course, goes back to inception of the investment product and is maintained on a quarterly basis. From this database we create a manager resume for each investment product summarizing business, performance and portfolio information.

This information is then input into our proprietary Wilshire Compass system, which is a PC-based information and consulting tool for analyses that guide the plan sponsor through a disciplined investment process. It combines comprehensive databases with sophisticated proprietary investment technology to develop investment policies, evaluate and implement investment strategies, and monitor the plan's investment program. Mutual Fund data is also input into the Wilshire Compass system using the same format and integrating qualitative information on managers already in our database. This allows consultants and clients to screen mutual fund products using the same process as that used for institutional products.

Wilshire will add a manager to our database should it meet the following criteria:

- A minimum of \$100 million in assets
- Open for business
- Institutional quality product

Managers are not deleted from our database unless at the request of the manager. In the event a product is no longer available it will continue to be listed in our database but will be labeled "closed."

4. Please describe the circumstances under which you would recommend terminating an investment manager.

The termination of an investment manager is an important and difficult decision for plan sponsors. The intention is to avoid terminating long term value-adding or truly skillful managers and avoid retaining value-detracting or unskilled managers. Wilshire believes that managers should generally be allowed a full market cycle (i.e., three to five years) over which to affect their strategy before termination is advised. Exceptions to this are: organizational changes which would adversely affect the investment process, departures of key investment professionals, substantive change in investment style or process, and / or sharp deviations in volatility versus expectations for manager.

In order to assist clients, Wilshire has developed a process we recommend clients apply in the manager retention / termination decision. Through a combination of qualitative and quantitative evaluation techniques, we attempt to identify both the timing and rationale for terminating managers when warranted.



The following are the criteria typically used by our consultants for recommending that a manager be placed on probation, removed from probation, or terminated.

Placing a Manager on Probation

- Violation of quantitative guidelines for three consecutive quarters in the absence of a satisfactory explanation. It may indicate a change in style, particularly if performance has been sub-par.
- Violation of a restriction in the guidelines (i.e. buying a restricted stock). This kind of violation may be indicative of poor account review procedures by the manager which could lead to even larger problems.
- An unexpected action by the manager, even if it may not affect performance in the near term. For example, the key investment professional assumes additional responsibility not anticipated at the time of hire, a change in ownership structure of the firm or turnover of professional staff.
- Performance results below expectations for the style that persist for a year.

Removing a Manager from Probation

Generally, Wilshire will advise clients to place a manager on probation for at least a year. If the conditions outlined above do not recur in that time then the manager can be removed from probation.

Terminating a Manager

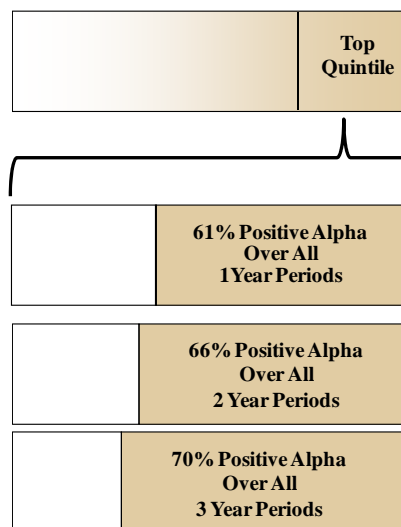
- Recurrence of an action during the probationary period in the absence of a credible and plausible justification from the manager.
- Breach of fiduciary responsibility and / or contract.
- Loss of key investment professionals associated with the client account if no adequate back up exists.
- Performance results are below objective over a full market cycle or the agreed observation period.
- Change in style or strategy which will not meet original objectives.
- Material violations of law or regulatory standards.



5. Please provide the most recent performance of all the managers your firm has recommended over the last two years. The performance should be measured against the applicable benchmark over periods of 1, 3 and 5 years ending December 31, 2009.

To demonstrate the value of Wilshire's manager research process, we identified all products since 12/31/00 with research scores ranking in the top 20% of their respective universe. The results indicate that Wilshire's research scores identify managers that outperform their benchmarks over both one year and longer holding periods.

Wilshire's Product Rankings



Period: 12/31/00 through 3/31/08

- We measured 1806 evaluations for all 1 year periods, 1223 evaluations for all 2 year periods, and 664 evaluations for all 3 year periods.
- We then measured the return versus appropriate benchmarks of each top quintile ranked product for the ensuing 1, 2, and 3 years through 3/31/08.
- Our analysis showed that the longer the holding period for highly scored managers, the higher the success rate.

Note: The above is for period ending 3/31/08. Performance for period ending 12/31/09 will be available the first week of June 2010. Upon request, Wilshire Consulting will provide the City of Fort Lauderdale with a copy when it is available.



6. During the past 24 months, what number of investment management firms have you recommended for termination?

Because manager changes occur for a variety of reasons, Wilshire does not track manager turnover as a meaningful figure for our clients.

7. Describe your philosophy and process for conducting prior due diligence when conducting a manager search.

Wilshire's philosophy toward manager selection focuses on the implementation of efficient investment structures while managing costs associated with the change.

Wilshire places great emphasis on the assessment of qualitative variables when evaluating investment management organizations and their respective products. Our manager selection and review process is labor-intensive and forward-looking, with predominant weighting given to qualitative factors that we believe are supportive of possible manager out-performance in the future. Key qualitative characteristics that Wilshire may focus on are:

- Organizational and / or ownership structure that promotes professional stability, organic growth and a commitment to excellence.
- A compensation structure that clearly and effectively aligns investment professionals' and clients' interests (e.g., a significant portion of professional compensation is tied to client investment results).
- A stable, cohesive and seasoned investment professional staff with strong leadership.
- A clearly articulated investment philosophy that is well supported by empirical evidence.
- A disciplined investment process that can consistently capture an inefficiency or anomaly in the market.
- Clear lines of decision making authority and accountability.
- Consistent, risk-adjusted performance.
- Competitive and reasonable fees.

8. Do you conduct on-site visits of investment managers that are in your database? How many? How often?

Wilshire conducts meetings both at Wilshire offices and on-site at manager offices. When conducting an on-site visit, our manager research specialists spend several



hours in an investment manager's office, meeting with key investment professionals, senior business management professionals and operations professionals on an individual basis. Wilshire observes the investment process (e.g. attend investment meetings), reviews internal research, assesses portfolio management / research tools (e.g. databases, valuation models, etc.), reviews compliance procedures, and assesses trading capabilities. Manager research professionals and consulting staff meet with approximately 1,500 managers per year. Our extensive dealings with managers have allowed us to develop a manager due diligence checklist that details specific issues that should be explored during on-site visits.

9. Describe the process of monitoring the activities of the various managers. How often do you perform this assessment?

Once a manager has been selected and guidelines have been established, Wilshire internally monitors the managers as a part of our Performance Measurement process. Clients are given quarterly performance reports which outline the client's investment profile and review the manager's investment style. The five main areas that are reviewed on an ongoing basis by Wilshire are:

Style risk – Is the style exposure of the manager's portfolio consistent with their long-term normal style?

Benchmark risk – Is the manager's level of active decisions consistent with their process and risk controls?

Level of value added – Is the manager meeting the stated return objective? Is the manager's level of value added significant for the level of risk incurred?

Sources of value added – Does performance attribution support their stated goals of adding value in specific areas such as stock selection?

Guideline compliance – Has the manager maintained compliance with the portfolio's specific guidelines?

Wilshire believes that the proper time horizon to evaluate if the performance objectives of an investment manager are being met should be based upon a three- to five-year time horizon. If the investment manager fails to add value, or otherwise fails in its responsibility to the client, the first step is to consider placing a manager on probation, and then possibly, termination.

How do you assess that the manager is maintaining consistency with their mandated style?

Wilshire utilizes 2 methods to monitor managers' style adherence.



The first tool is called the Wilshire Style Map, which monitors manager style. The “map” allows us to statistically measure manager style and style drift. This “map” reflects a manager’s style orientation based upon two dimensions: style (value / growth) and capitalization (large / small). Size and style metrics are calculated for each holding within a portfolio and then aggregated to provide a single measure for the entire portfolio. The metrics are calculated using the statistical measures of rank correlation analysis (which measures the relationship between two variables), discriminant analysis (which produces coefficients for each stock based upon the aggregated means and standard deviations of their respective fundamental characteristics), and Bayesian statistics (a process for revising prior (*posterior*) probabilities to incorporate new sample information). Measured over time, a manager’s portfolio can be plotted relative to the broad market (i.e. the Wilshire 5000SM) to determine the “true” style orientation. For fixed income, Wilshire evaluates interest risk versus quality risk, the two main sources of risk for fixed income, via our style map technology.

In addition to the Style Map, the analytics within Wilshire’s performance measurement report for individual managers allows clients to observe a manager’s style orientation via the “bets” made in the portfolio over time. In all of the manager sections, it is possible to track the manager’s sector diversification and investment characteristics (such as P/E or yield-to-maturity), over time on one page. Additionally, attribution models show what the source of performance relative to the manager’s benchmark is over time. Therefore, on a quarterly basis, Wilshire has the means to independently determine where a manager’s source of return lies both on a period-by-period basis and over cumulative periods.

10. What qualitative factors do you evaluate when researching investment management firms? How does your firm identify qualitative problems at these organizations? How do you verify investment manager information such as performance history?

Wilshire collects and maintains a universe of qualitative questionnaires submitted by investment managers for the products they offer. Three types of questionnaires are collected from each firm: one addressing the firm, one addressing the asset class and one that is product specific. These questionnaires are maintained electronically. Additionally, comparisons are more accurate. Fixed income portfolio characteristics data is collected with explicit instructions that managers utilize Wilshire’s methodology for calculating current yield, yield-to-maturity duration and convexity in order to ensure uniformity of these measures.

Wilshire places much greater emphasis on the assessment of qualitative variables when evaluating organizations and their respective products. Our manager selection



and review process is labor-intensive and forward-looking, with predominant weighting given to qualitative factors that we believe are supportive of possible manager out-performance in the future. Key characteristics that Wilshire may focus on are:

- Organizational and / or ownership structure that promotes professional stability, organic growth and a commitment to excellence.
- A compensation structure that clearly and effectively aligns investment professionals' and clients' interests (e.g., a significant portion of professional compensation is tied to client investment results).
- A stable, cohesive and seasoned investment professional staff with strong leadership.
- A clearly articulated investment philosophy that is well supported by empirical evidence.
- A disciplined investment process that can consistently capture an inefficiency or anomaly in the market.
- Clear lines of decision making authority and accountability.
- Consistent, risk-adjusted performance.
- Competitive and reasonable fees.

**11. How is historical performance used in your evaluation of investment managers?
How do you verify investment manager information and their compliance with
AIMR performance reporting standards?**

The Performance Measurement Group works on a proprietary Wilshire developed Windows-based software application delivered through a UNIX server to staff PC's. Wilshire's proprietary performance measurement software systems combine the latest innovations in performance attribution analysis with Graphical User Interface (GUI) technology to yield a self-contained, highly flexible, fully networkable reporting software package. Individual holdings for a client's portfolio are loaded onto our performance system for detailed portfolio reporting. The system is updated on an as needed basis, with periodic major overhauls about every five years. No portion of performance production work is subcontracted to an outside entity.

Wilshire evaluates and monitors the performance of money managers and aggregate portfolio investments through our performance measurement process. Performance measurement is an integral part of the investment process as it is the foundation for



monitoring and calculating the success of the implementation of a client's investment policy.

Wilshire focuses on quarterly reviews of total fund results compared to the policy to determine whether objectives are being met over time. All asset classes are covered including alternative investments and traditional real estate, equity and fixed income, non-U.S. managers, and REIT managers. We keep as many years of performance data as the client would like to show. For returns prior to Wilshire's engagement, we load returns and summary market values. Many clients have 20+ years of performance data on the system. For purposes of attribution, we maintain 5 quarters of full securities information on the system, meaning we could run detailed, holdings-based analysis that far back. If further historical work is required by a client related to portfolio analysis (attribution), we would use one of our Wilshire Analytics tools (Wilshire AtlasSM, Wilshire AxiomSM) to do the analysis.

Wilshire's performance measurement process is divided into four steps:

Data Collection

Performance measurement reporting begins with the monthly collection of data from three sources:

- Banks – Wilshire obtains transaction and asset information from trustee banks electronically. These transactions and security holdings are then loaded into client files on Wilshire's performance measurement system. We also track the availability and timeliness of statements sent by trustee banks. In addition, we have a dedicated team of data analysts responsible for maintaining our statement receipts and portfolio data feeds and loading asset portfolios into our system.
- Managers – We receive manager returns and detailed account statement information to use in the return reconciliation process.
- External Data Vendors and Wilshire Data Sources – Wilshire's centralized security data division collects extensive security level data from external data vendors, while our index department collects returns and portfolios on over 800 benchmarks. Our manager research department collects manager returns and portfolios for the construction of universes. This data is also loaded into our performance system.

Return Calculation and Reconciliation

Monthly rates of return are calculated by running each transaction file with the time-weighted return software written by Wilshire. We check and review data and calculation integrity at more than one level:



- We reconcile electronic files with custodian provided summary reporting.
- We reconcile returns against manager-calculated returns.
- We conduct a series of system checks to confirm the validity of return calculations for overall consistency. The Performance Measurement Group supervisors perform these checks before the reports are reviewed for content by the consulting teams.

Tolerance ranges have been established for each asset class for return variance with the manager. When returns fall outside this tolerance range, we will review individual holdings, prices, accruals, cash flows and fees to determine where the discrepancies lie. If an error has been made, we will work with the necessary parties to correct the error. If the difference is due to structural differences in the way the sources perform their calculations, we will include an explanation in the reconciliation. Reconciliation work is documented and can be provided to the client for their records.

Wilshire has been proactive in encouraging clients to adopt a pricing policy between the custodian bank and the respective managers. Such a policy forces managers to reconcile with the custodian bank monthly and places the burden of proof on the manager if mistakes are uncovered during this process. We have found this additional step of scrutiny creates incentives for the banks to improve their pricing and issue modeling processes.

Performance Analytics

Wilshire's performance reporting capabilities are extensive and were internally developed. Our performance reports allow us to calculate returns on many levels: the total fund level, the composite or asset class level, and the manager level. Each of these can, in turn, be measured against the appropriate benchmark, the fund's investment policy and a universe of peers. These analyses provide information to explain why performance is falling short or exceeding objectives, whether the structure of the asset class is appropriately diversified, exhibits the appropriate level of risk in the aggregate, and whether the resulting manager portfolios meet the stated objectives.

All manager portfolios are loaded into our performance system and processed through our pricing and characteristic databases. The same underlying analytical systems and databases are used throughout the firm. Wilshire develops analytical software tools for global equity and global fixed income portfolios that are used internally and are sold to external investment managers, improving their robustness. Along with these analytical tools, Wilshire invests in databases that are the foundation for the analytical tools and ensures there is consistency of characteristics across portfolios. If a more



detailed analysis of any portfolio or composite is required, in addition to the quarterly performance measurement books, we can use the underlying software to customize a more in-depth quantitative analysis.

Reporting Evaluation and Interpretation

Wilshire provides investment performance results to its clients in three formats. First, in-depth quarterly *Performance Analysis Report*. These reports contain audited and reconciled performance numbers for all managers and composites in the portfolio, in-depth analyses of managers and composites, portfolio asset lists, and flow of funds data. Second, our consulting staff produces a customized *Executive Summary* each quarter that filters the results in the performance report into a format more easily understood by committees and board members. These reports contain commentary on market conditions, our interpretation of fund, asset class and manager performance, and our recommendations for the client. Third, Wilshire generates monthly *Flash Reports* for clients who request them. These reports contain the returns for each manager and composite for the most recent period, and are usually only a few pages long.

Additionally, monthly Wilshire *Perspectives* are distributed to clients electronically shortly after month-end. It contains in tabular and graphical format the major market index returns for all pertinent time periods. Wilshire also distributes quarterly Wilshire *Perspectives* that include our quarterly market commentary, as well as a section devoted to our Manager Research Group.

12. What process do you use to classify a manager's style for inclusion in your database?

Wilshire utilizes an internally developed web-based data collection facility, known as Wilshire Odyssey, to help managers and Wilshire in the creation and retrieval of quantitative information. This information is then input into our proprietary Wilshire Compass system. Our quantitative questionnaires are designed to provide comprehensive profiles of managers who extend beyond just performance numbers and include general business information such as key professionals, investment process, research sources, investment style, fees, and performance, including how performance is calculated. Additionally, we also process portfolios submitted by managers. Performance data, of course, goes back to inception of the investment product and is maintained on at least a quarterly basis. Wilshire also requests a response from the manager regarding CFA Institute compliance and outside audit verification. Minority-owned, women-owned, and disabled veteran-owned managers are incorporated into the Wilshire database in the same manner as other managers, according to asset class. Wilshire uses its security databases to calculate portfolio



characteristics, which are consistent across managers and over time. This capability also differentiates Wilshire's databases from others. We calculate portfolio characteristics for most managers, which include:

- # Portfolio holdings
- Debt ratings (bonds)
- Risk measures (beta, debt / equity ratio)
- Growth measures (ROE, earnings growth)
- Maturity, duration (bonds)
- Industry weightings
- Country weightings
- Value measures (P/E, P/B, yield)
- Market capitalization measures
- Mortgage, corporate weightings

13. Does your firm charge direct or indirect fees for investment managers to be included in your database or in any manager searches that you conduct on behalf of your clients?

Wilshire does not charge any fee, direct or indirect, for participation in our databases. Wilshire maintains an open architecture with respect to our manager databases. We neither solicit nor accept any remuneration from managers included within our manager databases. All data provided by managers is on a voluntary basis. The only cost that a manager incurs to participate in our databases is the cost of their time to enter the information.

14. Does your firm receive any compensation, directly or indirectly, from investment management firms for any reason? If so, what is the source of the compensation and how do you prevent conflicts of interest as a result of the relationship?

Wilshire Associates receives a substantial portion of its total revenues from the sale of analytics services that are provided by Wilshire Analytics. A significant amount of this business is with portfolio managers, including most, if not all, of the largest organizations in the investment industry. In addition, Wilshire has entered into a relationship with a company to offer the Wilshire Compass product to Canadian customers, including portfolio managers, analysts and marketing professionals. The Wilshire Consulting business unit has sold, and will continue to sell, Wilshire Compass to plan sponsors, foundations and other institutional investors. Numerous organizations that purchase or have purchased Wilshire Analytics solutions and services, Wilshire Compass, and/or formerly used Wilshire's former brokerage services are past, current and prospective portfolio managers of clients of Wilshire's Consulting and Funds Management business units. Wilshire sold its brokerage in 2004. Wilshire's Fund Management also receives compensation from investment



managers or institutions that may also be recommended for plan sponsors. A conflict exists because the Wilshire Consulting and Wilshire Funds Management personnel may be advising clients to hire or fire these portfolio managers. A conflict would exist if Wilshire Consulting or Wilshire Funds Management personnel make recommendations or decisions about portfolio managers who have invested in a fund advised by Wilshire.

It is the policy of Wilshire that all recommendations concerning investment managers made to investment consulting clients are based solely on the best interests of the client and without regard to any revenue that Wilshire receives, might receive, or has received in the past, directly or indirectly, from portfolio managers for services provided by us. Wilshire operates Wilshire Consulting, Wilshire Private Markets, Wilshire Funds Management and Wilshire Analytics as separate business units. We have adopted policies and procedures that are designed to prevent consultants from having internal access to information that otherwise might appear to compromise their objectivity. For example, Wilshire Associates' computer systems do not allow employees who work for Wilshire's Consulting, Wilshire's Private Markets, and Wilshire Funds Management business units to have access to the information of Wilshire Analytics or the Accounting department. Wilshire personnel may sometimes transfer from one business unit to another. In those cases, it is possible that a transferred employee may continue to perform services for his or her former business unit during a transition period. In these cases, it is Wilshire's policy that the employee not be placed in a position to make or influence manager selections until six months following the transfer. In addition, Wilshire notifies clients from the employee's former business unit who continue to be serviced by the employee during the transition period. Notwithstanding these policies and procedures, it is possible that Wilshire personnel may become aware of information as a result of disclosure by a client, from public sources or otherwise.

It is also the policy of Wilshire that all material facts concerning any conflicts of interest that do arise are disclosed to our clients. In addition to the conflicts of interest identified in Part II of Form ADV(a copy of which is provided in the **Appendix, Tab 1**), Wilshire has implemented a program for providing a "conflicts check report" to clients.

To ensure that Wilshire's Consulting and Funds Management clients receive timely disclosure about potential conflicts of interest in the form of compensation received by other Wilshire business units, Wilshire has adopted procedures for offering to provide a "conflicts check report." This report provides information about the amount Wilshire bills and has billed managers and custodians for Wilshire services during the current calendar year and the most recently completed calendar year (to the extent that the managers and other vendors have consented to such disclosure). If



requested, the conflict checks report will be sent directly to the client from Wilshire's Compliance department and will not be available internally.

Wilshire requires all of its employees to comply with its Compliance Manual, Standards of Business Conduct and Code of Ethics, and any business unit's Code of Ethics. All employees are required to be familiar with all procedures and policies that are applicable to them and are subject to discipline for violations.

Wilshire's Chief Compliance Officer administers our compliance policies and procedures. The Chief Compliance Officer reports directly to the CEO and Wilshire's Board of Directors.

15. Please provide a specific example of a pro-active investment proposal to a Board and the outcome of this suggestion.

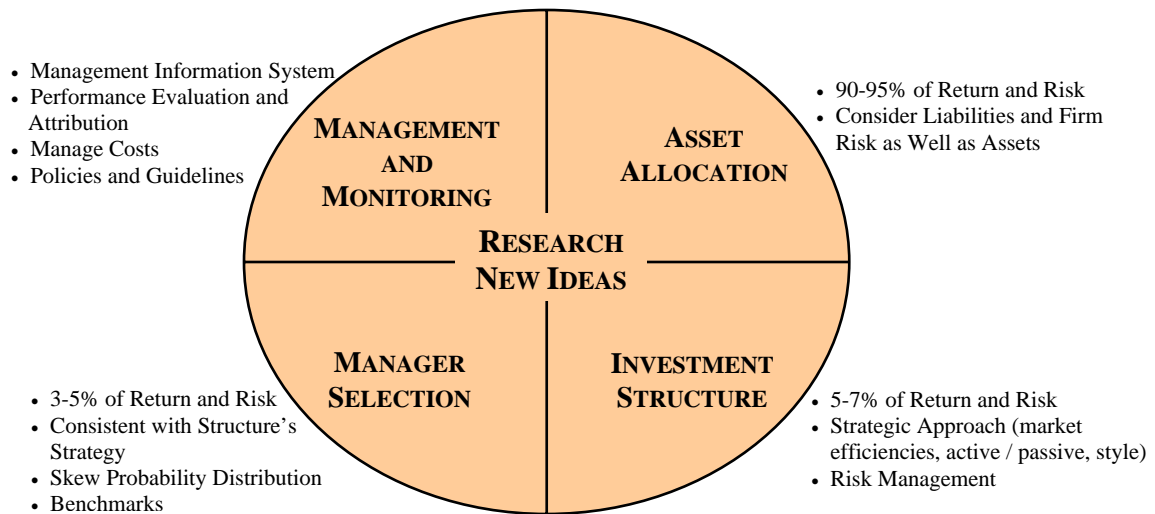
The Treasury introduced the issuance of Treasury Inflation Protected Securities (TIPS) in 1997. Recognizing the inflation risk found in retirement plans, endowments and foundations, Wilshire began research on TIPS to determine whether this potentially important new asset class that would offer plan sponsors an enhanced opportunity to hedge inflation risk. Our research found that TIPS, as an asset class, were attractive due to their lower correlation to other asset classes. In addition to this quality, TIPS were even more attractive because they are strongly correlated to inflation sensitive retirement benefits and endowment spending. Wilshire began recommending an allocation to (TIPS) in 2003 and 2004. The outcome of this suggestion not only provided a hedge to inflation, but also provided a welcome source of liquidity in Plans during the recent credit crisis.

Investment Policy

1. Please describe how your firm develops investment objectives, investment policy, and guidelines.

Wilshire Consulting has over 25 years of experience in developing investment policies, procedures and guidelines for pension funds. Our approach to developing an investment policy follows a similar format for all pension fund clients.

Investment policy and guidelines are integral to all aspects of Wilshire's investment consulting services. The following diagram demonstrates our method and process in providing investment consulting services to our clients. The process begins with asset allocation and the inherent asset / liability evaluation, moves through developing an investment structure and choosing appropriate managers, and finally evaluates the whole program through our performance monitoring program.



The development of the policy is an interactive process between the organization's management / trustees and the consultant. Following is a description of the policy development process:

Reviewing Financial Condition

Before recommendations regarding asset allocation or minimum rate of return can be made, it is essential to understand the dynamics of the investment fund's cash flows. Using cash flow projections provided by the client, we carefully examine the financial condition of the fund. With the direct involvement of the client, we project best and worst case scenarios for asset values and cash flows, over various time horizons. This step helps us assess one form of risk tolerance of the fund.

Determining Asset Allocation

Our approach to asset allocation begins by incorporating probability distributions of risk and return expectations into a quadratic optimization process to produce "efficient" portfolios. To reflect investment prudence, constraints are often placed on the individual asset classes. Wilshire works closely with clients to determine the optimal asset mix for their needs. This also means deciding how much risk to take. This can only be done by close evaluation of the tradeoffs between long-term funding and possible short-term losses from negative investment returns. The clear identification of objectives and the hierarchy of the objectives is an important part of this strategy. We have found that there is no simple formula; rather, our responsibility is to give the decision-makers the information and tools they need to be thoroughly informed.



Setting Investment Policies and Guidelines

Wilshire works with clients to specify overall objectives that are consistent with the plan's financial requirements, reflect the asset allocation strategy, and are realistic given available investment opportunities. A written policy statement establishing overall investment objectives is prepared. It includes specific policies and procedures, asset allocation guidelines, and performance objectives. Items that should be included in the investment policy are:

- Mission Statement / Objectives
- Asset Allocation Policy
- Duties and Responsibilities of all Parties
- Investment Philosophy
- Investment Structure
- Individual Manager Guidelines
- Proxy Voting Policy
- Brokerage of Soft-Dollar Policy
- Manager Retention and Evaluation Policy
- Rebalancing Policy
- Securities Lending
- Corporate Governance
- Derivatives Policy

Establishing Investment Structure

After completion of the fund simulation study, Wilshire reviews the current investment structure in the context of the new investment policy and objectives. An efficient investment structure can help minimize performance slippage and facilitate control at the fund level of pension management. At this stage, Wilshire evaluates the appropriateness of alternative investment strategies such as active versus passive implementation, manager style, number of managers, etc.

Establishing Investment Manager Guidelines

Wilshire will also prepare investment manager guidelines, which contain several elements to effectively monitor a manager. The guidelines contain the following elements:

- A qualitative description of style and the strategic role the manager will play in the structure



- Investment characteristics the portfolio is to exhibit which can be compared to actual characteristics each quarter
- A list of permitted investments which differ by asset class
- A list of restrictions (e.g., derivatives)
- Performance objectives (return and risk)

Implementing New Strategic Mix

Once a new strategic asset mix has been determined, a rebalancing plan must be implemented to rebalance the fund's assets to this new allocation. Wilshire believes that reallocation should not be done opportunistically (i.e., via market timing). Rather, the assets should be redirected over a sufficient period of time through cost minimizing and risk-controlled techniques (e.g., dollar cost averaging).

Maintaining Investment Policy

Wilshire Consulting continuously monitors and conducts thorough reviews of our clients' investment policy, investment strategy, and portfolio mix every quarter via our regular performance monitoring services unless a more frequent review is required. Wilshire will usually formally review a client's asset allocation policy every three to five years. Exceptions to this are: changes to the plan sponsor's projected liability or funded status, investment manager organizational changes which would adversely affect the investment process, departures of key investment professionals, substantive change in investment style or process, and sharp deviation in volatility versus expectations for a manager.

2. Describe how your firm monitors investment managers' compliance with policy, objectives and guidelines and the process for continually reviewing investment policy, asset allocation and portfolio structure.

Wilshire's process for monitoring managers begins with the development of manager guidelines. The guidelines contain all of the elements that need to be monitored, including any investment restrictions. We recommend that our clients include the guidelines as part of the manager's contract, thus it makes the contract compliance for investment-related issues easy to follow (since Wilshire is not a law firm we do not monitor non-investment contract compliance issues). The manager guidelines have the following components:

- Description of the manager's investment approach and the strategic role the manager is to fulfill in the client's investment structure.
- Portfolio characteristics pertinent to the asset class; these include the allocations to sectors, the risk parameters, the allocation to cash and any particular factor



- exposure limits. The portfolio characteristics section is designed to dovetail into Wilshire's quarterly performance report that measures each of these characteristics. Therefore, they are automatically monitored and reported on to the client in the quarterly performance report.
- General investment guidelines that address such issues as delegation of authorities, prohibited transactions, transaction cost control requirements, proxy voting, notification requirements of organizational or investment changes.
 - Authorized investments or restricted investments.
 - Performance Objective and benchmark.

Every quarter, Wilshire specifically measures each characteristic and risk parameter shown under the portfolio characteristics section of the performance report.

Wilshire reviews each manager's Form ADV once a year to keep abreast of business activities that the manager reports to the SEC that could pose a conflict of interest. As part of the manager due diligence process, we also obtain the manager's Ethics Policy or Code of Conduct policy, meet with the compliance officer and examine compliance reporting lines.

3. Describe your development of investment portfolio structure and strategy, including multiple managers and active versus passive management.

Wilshire develops an investment strategy for each of the asset classes chosen during the asset allocation process. We emphasize the following goals during this process:

- Limiting active management to managers who have demonstrated an ability to add value versus their appropriate benchmark
- Reducing management fees and controlling other costs where appropriate
- Removing factor risk within the relevant asset classes.

The steps we follow to develop the optimal investment structure are outlined below:

Review Investment Structure

After completing an asset allocation study, Wilshire reviews the client's current investment structure in the context of the new investment policies and objectives. Has the current structure achieved the fund's objectives in the past? Is it likely to achieve the fund's revised objectives in the future? Are there redundancies in the current structure, or risks that aren't properly controlled?

Select Asset Class Benchmark

Benchmark selection determines asset class return and risk characteristics indirectly, by influencing money managers' behavior, and directly, if index funds are used to



replicate the benchmarks. Wilshire begins by assisting the fund sponsor in selecting an appropriate performance benchmark for each asset class, and the plan in aggregate. We also work with clients who want to customize benchmarks which will exhibit higher long-term returns or a lower risk profile, and which adequately meet a clients' individual risk / return tolerances.

Evaluate Alternative Investment Strategies: Active / Passive, Style / Size Tilt

The advantages of active versus passive management vary by asset class and fund size. Wilshire was one of the first consultants to advocate index funds for U.S. stocks, particularly for the larger S&P 500 issues. However, we discourage passive alternatives in markets that are not efficient or in markets where we believe managers can consistently add value.

For **equities**, we begin by examining the three basic alternative structures:

- All passive, style / size neutral
- All active, style / size neutral
- Mix active / passive, style / size neutral

To determine which is optimal, one must examine the following questions:

- How much in index funds?
- How this decision is made and what are the criteria?
- Which index should be used?
- Are index "plus" funds attractive?
- Do style indices add anything?
- Are core managers better (worse) than combining specialty managers?
- How many managers? How do we weight them?
- What disciplines should we have for rebalancing?
- How should currency hedging be handled?
- Should portable alpha be considered?

For large capitalization **U.S. equities**, we believe the market has become increasingly efficient. We believe neither a style bias to value or growth nor a small cap bias will generate excess returns above the broad market, and passive management is an important strategy for large pension plans to consider. In increasingly efficient markets, passive management provides market exposure at a minimal cost (management and trading) to institutional portfolios. Passive management also reduces the administrative and investment monitoring burden to in-house staff.

We have recommended to a number of clients that they substantially index the largely efficient large capitalization U.S. equity segment of their portfolio. This strategy is often complemented with a balanced application of active large capitalization core, enhanced index, or, value and growth managers. In the less efficient U.S. small cap



equity segment, we often favor the retention of active managers over passive managers.

Our research staff is focused on identifying the best implementation plan for U.S. equities, which for most plans represent between 40-60% of total assets. Our strategy is to build portfolios that are style neutral, have an appropriately sized allocation to index funds to reflect the market's efficiency, and to help minimize costs, which include management fees and transaction costs from turnover.

We use Wilshire's style metric model to identify style risk across the manager team. The total equity composite can be plotted as well, to determine overall style bias. An unintended bias can be measured in a number of ways, including re-weighting managers (optimization where risk is measured versus a style neutral position) or through the addition or deletion of managers.

We believe the **fixed income markets**, unlike the equity markets, offer systematic risks with positive long-term returns. Systematic risk factors include: interest rate risk, credit risk, and prepayment risk.

Our approach to fixed income is to identify the target duration (for young to average age plans this is typically the market duration) and the optimal weight to each fixed income sector. We believe that accepting a higher level of prepayment and credit risk can reward investors over three to five year periods.

We further believe that a small group of fixed income managers have developed good research across fixed income sectors and thus we favor a generalist approach where one manager makes small shifts across sectors to capture returns from changing spreads.

In terms of **non-U.S. fixed-income** investing, we recommend utilizing the leading handful of fixed income managers who invest internationally on an opportunistic basis and treat this area as a separate sector.

In terms of **non-U.S. equity** we do not find the returns from active management due to stock selection to be superior to U.S. managers. On the contrary, we find the selection of a long-term weighting to economic regions is the most important decision for successful results. Our research shows that, on average, active managers lose 1% per year from stock selection because of the high transaction costs in foreign markets. Managers who outperform the benchmark generally achieve their results by making good long-term allocations to economic regions. We focus our analysis on the regional and country exposure managers are taking.



We believe the developed non-U.S. markets are becoming more efficient and some segment of this market should be passive (indexed) or managed through enhanced indexation. Actively-managed emerging markets exposure in this asset class can help enhance value and reduce overall risk. Our research indicates that the optimum allocation to emerging markets within a non-U.S. equity portfolio is similar to their capitalization weighting in the broad based non-U.S. equity benchmarks. Unlike developed market investing, we believe that emerging markets equity investing should be actively managed.

Wilshire uses the same approach for **real estate** as well as other **private market** and **hedge fund** investments. Wilshire recommends a diversified portfolio across these market sectors.

Wilshire believes derivatives can be successfully used to help minimize risk in a portfolio if used judiciously. We see the primary purposes as substitution for the cash market instrument, hedging to facilitate risk control and to a lesser extent arbitrage. We do not support the use of derivatives to speculate, nor do we support the employment of excessive leverage. We will assist in the drafting of manager guidelines to ensure that derivative risk is properly managed and monitored.

Investment Structure

We believe that the best investment structures incorporate all the elements of our basic approach, which are designed to manage risk exposures and reduce costs. However, because each client is different, each client's investment structure will be drawn individually taking into consideration the fund size and risk tolerance to optimize the potential for meeting the client's objectives.

4. Provide an opinion regarding the retirement plan's current asset allocation, manager structure, and performance benchmarks referred to in the Investment policy.

At the onset of any relationship, we perform a full review of the retirement plan's asset allocation and overall policy. Each client engagement is unique and each recommendation is tailored and customized according to the client's specific circumstances. With regard to investment policy, our advice is offered only after extensive discussion with clients and detailed analysis of the fund, investment objectives, constraints, time horizon, risk tolerance, and other relevant factors. The investment policy is designed to capture the "spirit" of the intended investment strategy as well as offer specific guidance with respect to security types which may or may not be considered for investment. Because the financial markets are constantly evolving to offer new investment instruments and securities, we recommend regular review of the policy statement. In this regard, we view it as a "living" document.



In general, when investing in any asset class or strategy we continually refocus our clients on monitoring risk. Effective risk management and measurement is the most important element to any investment program. We believe that our clients must be compensated for any risk taken in the portfolio. At Wilshire, we work with conservative clients who prefer to remain in more traditional classes and we also work with clients who are willing to look beyond the traditional asset categories. We will work to provide the best asset-mix for your particular fund according to your risk profile. We will assist you with determining your risk profile with some of the most sophisticated tools available in the marketplace and help you set goals that are both attainable and measurable.

5. Describe the process that would be used for review and assessment of existing investment policies, guidelines, asset allocation and investment performance of the Fund.

Please see the answer to question # 4 above.

6. What does your firm consider to be the most critical issue regarding a public pension plan investment policy?

The most critical issue is the establishment of the investment goals, objectives and guidelines required to fund the benefits promised to participants.

7. What is your firm's philosophy regarding the proper role of the consultant in the development of an investment policy and manager guidelines for a public pension plan?

The consultant, in recognition of its role as co-fiduciary of the Plan, assumes the following responsibilities:

- Evaluate the financial condition of the Plan.
- Define and recommend appropriate investment strategies based on the financial condition of the Plan.
- Implement approved strategies. This includes setting asset allocation, building investment structure and identifying qualified investment managers to execute investment strategy.
- Monitor and evaluate the ongoing progress of the Plan toward stated investment goals and objectives.
- Recommend corrective action should an investment strategy or investment manager(s) fail to meet expectations.



- Recommend strategy changes in response to material changes in either the financial condition of the Plan or the capital market environment.

Performance Measurement and Evaluation

1. Describe in detail your performance measurement system and philosophy behind it. Is your system proprietary or did you obtain it from an outside source?

Wilshire's performance measurement system is proprietary, which allows us to conduct and report on customized analyses for our clients. Therefore, a client may have a significant amount of input into the content and format of their respective performance report. There is flexibility in producing non-calendar period results. Wilshire currently provides several clients with fiscal year period results depending upon their respective fiscal year cycles. Unless additional systems need to be developed or extensive programming is required, there is no additional cost for customizing client reporting.

Quarterly *Performance Analysis Reports* are generated anywhere between 20 to 30 business days after quarter-end, depending upon the types of asset classes in which clients invest and the timely receipt of information from custodian banks and managers. Quarterly *Executive Summary* reports are provided along with the Quarterly Performance reports and are also available 20 to 30 business days after quarter-end.

Monthly *Flash Reports* are available within 10 to 15 days after month-end, depending upon the ability of the master trustee to provide Wilshire finalized month-end numbers and the types of asset classes in which the client invests.

2. Do you purchase universe data or do you maintain your own? If purchased, from whom?

Wilshire's performance measurement system is proprietary, which allows us to conduct and report on customized analyses for our clients.

3. Please specify and describe the universes you have available, how often they are updated, their sources (i.e., manager information, federal filings, calculation from bank statements, etc.), the type of accounts they contain, the number of portfolios, and the size range of the portfolios they contain.

Benchmarks used for performance comparisons are chosen by the client and the consultant based on the objectives of the assignment and the manager's stated



investment philosophy. In addition, at the manager level a benchmark fit analysis is performed to confirm that the benchmark chosen actually is the best “fit” for the manager’s risk / return profile.

Total Fund Level

At the total fund level, there are various benchmarks that are relevant. Some of the most common that our clients use are:

- The fund’s investment objective.
- A policy benchmark derived from a weighted average of broad market indices for each asset class in which the fund invests, weighted by the fund’s policy target. This benchmark measures the effectiveness of the asset allocation and more importantly the client’s tactical asset allocation decisions.
- A comparison to a universe of other professionally managed accounts. These universes can be broad market based or defined by investment style.
- A comparison to the consumer price index.

Asset Class Level

At the asset class level, we recommend that clients select a benchmark that is representative of the opportunity set available in that asset class (i.e. Wilshire 5000 Total Market IndexSM for U.S. equity). The client’s asset class composite can then be compared against the asset class benchmark to evaluate whether or not there are any unintended active bets (i.e. unintended style exposures, over-allocations to investment managers, investment manager underperformance). At the asset class level, this allows a plan sponsor to see if value is being added relative to the passive alternative.

Manager Level

As mentioned above, at the manager level, it is important to establish a benchmark and an expected alpha level at the start of the relationship. Benchmarks determine whether the manager is adding value relative to the low cost passive portfolio and whether or not the manager is adhering to their mandate.

Appropriate benchmarks, in any market, have the following characteristics:

Unambiguous – The manager understands the rules and universe from which it is constructed.

Investable – The manager can purchase the securities in the benchmark.

Measurable – Benchmark performance can be calculated on a frequent basis (at least monthly).



Appropriate – The benchmark represents the stated investment mandate.

Pre-specified – The benchmark is agreed upon prior to the start of the monitoring period.

Wilshire defines four basic approaches to benchmarks. These are: broad market indices, style indices, custom indices, and normal portfolios. Wilshire has had experience in using all of these approaches. In some cases our clients use the benchmarks of other major vendors (e.g., Russell), while in other cases, Wilshire's indices may be more appropriate (e.g., Wilshire 5000 Total Market IndexSM).

Custom Benchmarks

Wilshire recognizes the importance of customizing indices and analyses to clients' individual circumstances. Since we have the entire source of data comprising the indices on our U.S. and non-U.S. equity and bond databases, we are able to easily alter these indices to reflect special circumstances.

The following are some of the sources of the benchmark databases Wilshire uses:

American Stock Exchange	H & Q	NYSE
Citigroup Global Markets	IFC	NASDAQ
First Boston	Barclays Capital	Payden & Rygel
Frank Russell	Merrill Lynch	Richards & Tierney
Financial Times	JP Morgan	Standard & Poor's
Froley Revy	MSCI	Toronto Stock Exchange
Goldman Sachs	NAREIT	Wilshire Associates

The previous sources account for approximately 500 standard indices contained in Wilshire's benchmark database. These benchmarks are updated either monthly or quarterly, and characteristic information is collected on the majority of the indices to enable total fund and manager attribution.

Wilshire has been a leader in creating custom indices to measure investment performance. Our experience began in 1975 when we created the Wilshire 5000 Equity Index (now re-branded the Wilshire 5000 Total Market IndexSM), representing a capitalization weighted average return for all publicly traded U.S. stocks. Since that time we have created several other custom U.S. equity indices. These include:

- Wilshire 5000 Total Market IndexSM
- Wilshire 5000 IndexSM - Price
- Wilshire 4500
- Wilshire 4500 - Price



- Wilshire U.S. Large-CapSM
- Wilshire U.S. Mid-CapSM
- Wilshire U.S. Small-CapSM
- Wilshire U.S. Micro-CapSM
- Wilshire U.S. Top 2500 GrowthSM
- Wilshire U.S. Top 2500 ValueSM
- Wilshire U.S. Large-Cap GrowthSM
- Wilshire U.S. Large-Cap ValueSM
- Wilshire U.S. Mid-Cap GrowthSM
- Wilshire U.S. Mid-Cap ValueSM
- Wilshire U.S. Small-Cap GrowthSM
- Wilshire U.S. Small-Cap ValueSM
- Wilshire Small Cap 250
- Wilshire Small Cap 250 - Price
- Wilshire REIT

Peer Universe Comparisons

Wilshire utilizes both market indexes and peer ranking to conduct relative performance comparisons. We believe that appropriate market indexes are the most relevant comparison in the evaluation of manager or asset class performance. That said, it is appropriate to review peer rankings to gauge the relative success of the respective investment manager. Lacking this additional comparative perspective, a board could conclude that their manager was abysmal and seek to put the firm on watch or even replace them. Thus we prefer to use all available comparisons, but emphasize market index comparisons. There are three data systems that the Performance Measurement Group utilizes to deliver its relative performance comparisons that have all been internally developed and maintained:

Index Databases

Index databases are utilized to compare levels of performance and investment characteristics to specific indices. Our database can provide style benchmarks as well as develop normal portfolios for clients. Wilshire has recommended both standard published indices as well as custom benchmarks tailored to a client's individual needs. Wilshire's index database contains over 1,100 indices which are directly collected from original index sources, both U.S. and non-U.S. Internal Wilshire indices are updated daily and all outside indices are updated monthly.

Manager Universe Databases

Manager universe databases are utilized to compare a manager's performance to its appropriate peer group. Wilshire collects and maintains its proprietary and internally developed database of investment managers and advisors. Our manager database is divided by asset class and product category and has performance data since inception.



No payment is required from managers to participate in our database to ensure no conflict of interest. Managers submit their data to Wilshire quarterly and such data is maintained by our Manager Research Group in our central database. Currently, Wilshire's stock and bond manager databases cover over 7,000 investment products (representing over 1,500 investment managers), 23,000 mutual funds provided by Morningstar, and approximately 5,000 hedge funds.

Total Fund Universe

The Wilshire Cooperative Universe ServiceSM (WILCOPSM) is used for comparisons of total funds and asset class portfolios. The live portfolio returns in this database come from the pooled effort of many of the largest and most respected investment consultants, including Wilshire Consulting. With total assets of approximately \$800 billion, the 14,000+ institutional portfolios include public employee, corporate defined benefit, eleemosynary and Taft-Hartley plans. Total fund data is resident on our internal system with data received from Wilshire consulting clients and WILCOP clients, which are small and medium size consultants across the U.S., and is updated quarterly.

The great variety of information available in WILCOP allows Wilshire to compare clients' performance in many different ways – against funds similar in size and type, with similar or different asset allocation strategies.

As described above, Wilshire has many different tools with which to compare the performance of our clients' investment structures at many levels. By having a large variety of comparison universes and proprietary tools at the disposal of our consulting teams, we provide clients relevant and reliable information with which to compare their fund's performance at the total fund, asset class and peer level all the way down to individual managers.

4. Describe the types of analysis included in a typical performance evaluation report. To what extent can performance reports be customized?

Wilshire's performance measurement system is proprietary, which allows us to conduct and report on customized analyses for our clients. Therefore, a client may have a significant amount of input into the content and format of their respective performance report. There is flexibility in producing non-calendar period results. Wilshire currently provides several clients with fiscal year period results depending upon their respective fiscal year cycles. Unless additional systems need to be developed or extensive programming is required, there is no additional cost for customizing client reporting.



Quarterly *Performance Analysis Reports* are generated anywhere between 20 to 30 business days after quarter-end, depending upon the types of asset classes in which clients invest and the timely receipt of information from custodian banks and managers.

Quarterly *Executive Summary* reports are provided along with the Quarterly Performance reports and are also available 20 to 30 business days after quarter-end.

Monthly *Flash Reports* are available within 10 to 15 days after month-end, depending upon the ability of the master trustee to provide Wilshire finalized month-end numbers and the types of asset classes in which the client invests.

To ensure security and integrity of client data, clients do not have direct access to the performance reporting system or its databases. However, they have extensive access to their reports and other Wilshire resources online. Wilshire's website (www.wilshire.com) provides updated returns of all Wilshire indices and other leading market indices. Wilshire's Index Return Calculator allows users to obtain returns data for any combination of Wilshire indexes. Furthermore, our website allows clients to access and print out completed performance measurement exhibits and reports through the Internet, by using a file transfer protocol set up for that client with password protection.

5. What risk analysis tools will your firm use to help our plan maintain an overall desirable risk level?

Wilshire believes that return should only be measured and evaluated in the context of risk taken. The primary tools we use to describe, quantify and evaluate risk are the Wilshire AtlasSM, the Wilshire AxiomSM, and recently, the Wilshire iQuantumSM which incorporate best-of-class equity and fixed income risk models. These ex-ante, multi-factor risk models use advanced statistical and investment theory. They are used by asset managers around the world to provide a comprehensive understanding of the investment risks in their portfolios. We believe it is a major comparative advantage to have the developers and designers of these systems at our disposal.

Among the types of risks our systems provide are:

- Portfolio Beta
- Fundamental Factors (Size, Price-to-Book, Earnings, Momentum, etc.)
- Yield
- Manager Style
- Industry Exposure
- Security Concentration (Marginal Risk Analysis)
- Portfolio Duration
- Credit Quality



- Term Structure
- Spread Duration
- Active Risk
- Active Risk Decomposition
- Currency Risk / Hedging Impact

These tools and metrics measure ex-ante risk at varying horizons. Using notional (versus market) exposures derived from holdings information, and equity, fixed income and currency factor covariance, expected standard deviations of absolute, relative and total risk are estimated and attributed in dimensions that relate directly to manager's investment strategies.

Wilshire's performance report allows us to calculate returns on many levels: the total fund level, the composite or asset class level, and the manager level. Each of these can, in turn, be measured against the appropriate benchmark, the fund's investment policy and a universe of peers.

Our portfolio analytics are unique given Wilshire Consulting's use of the many products developed by Wilshire Analytics. These include global equity and bond risk modeling. Thus, we are able to provide a wide array of standard and custom portfolio analysis on a large number of characteristics in addition to returns and return attribution. Wilshire can accurately assess the influence of style and size bets in equity portfolios, the influence of country and currency bets in non-U.S. portfolios and the impact of duration, convexity, and credit exposures in bond portfolios, to name just a few of the factors we routinely analyze. For example, our equity sector attribution analytic calculates the precise contribution to return from each sector exposure. Further, we can look within sectors to determine which stocks impacted results the most. Quarter in and quarter out, this type of detail enables us to better understand what themes are present in a manager's portfolio and whether they are implementing their strategy in a manner consistent with their stated investment philosophy. The Quarterly Performance Report, provided **under separate cover**, includes an in-depth client manager evaluation that makes use of a number of different analytics.

6. How frequently are client reports generated? How soon after the end of the reporting period are these reports distributed? Are these reports available through Internet access? Does your standard report format include an executive summary? Do you have the ability to customize reports for your clients? Will you provide a .pdf version of your report?

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managers. Quarterly *Executive Summary* reports are provided along with the Quarterly Performance reports and are also available 20 to 30 business days after quarter-end.

Monthly *Flash Reports* are available within 10 to 15 days after month-end, depending upon the ability of the master trustee to provide Wilshire finalized month-end numbers and the types of asset classes in which the client invests.

7. What asset categories are tracked in your performance measurement system? How many investment managers are included within each asset category? How many years

Wilshire is one of the industry's leading providers of analytical software, and as such, all of our analysis for clients is prepared using systems that we designed. Wilshire's performance system is able to provide clients with in-depth attribution analysis from the plan level, on down to each asset class individually. At the aggregate portfolio level, our analysis will provide the Foundation with a comparison of its performance with that of a predetermined passive alternative. This is usually based on the "policy portfolio," which would represent the plan's normal asset allocation. Alternatively, it could be based on any other policy portfolio, such as the average allocation of a chosen peer group. Whichever comparison portfolio is chosen, the analytical principals applied are the same as for the asset class and manager analysis systems which are described in greater detail, below.

At the asset class level we have the capability to aggregate all sub portfolios to develop a composite profile of the entire asset class with respect to characteristics. We can perform an attribution analysis against a benchmark for the asset class. This can also be done on the individual portfolio level. These analyses provide information to explain why performance is falling short or exceeding objectives, whether the structure of the asset class is appropriately diversified, exhibits the appropriate level of risk in the aggregate, and whether the resulting manager portfolios meet the stated objectives.

For a **U.S. equity portfolio** we sub-divide performance into five components:

- *Style* – This measures whether performance has been positively or negatively impacted by the style of the portfolio such as growth orientation, small stock orientation, or value orientation.
- *Timing* – This measures whether cash within the account has added or subtracted from performance and risk.
- *Sector Weighting* – This measures how well industry sectors (such as oil stocks) have been selected.



- *Stock Selection* – This measures how well a manager has selected stocks within sectors.
- *Trading* – This measures the impact of turnover activity on the account.

The sum of these five component returns equal the difference between the total account return and the performance objective, usually the Wilshire 5000 Total Market IndexSM, or another broad market index.

For a **fixed income portfolio** the sub-component return attributes are:

- *Contribution to Duration* – This measures how much of the portfolio's interest rate risk exposure is coming from a particular issue or sector.
- *Issue / Sector Selection* – This measures the value added / detracted by the manager at the issue or sector level versus the buy and hold return of the issue for the period.
- *Quality* – This measures how much of the value added / detracted is coming from the issue or sector quality exposure.

For a **non-U.S. equity portfolio** we sub-divide the portfolio performance into seven return attributes. These are:

- *Timing* – Again referring to the use of cash.
- *Currency Hedging* – This reflects the contribution of hedging currencies.
- *Currency Selection* – This reflects the currency impact of over or underweighting a certain country market.
- *Country Market Selection* – This measures the value added from overweighting good performing markets or underweighting bad performing markets.
- *Sector Selection* – This is whether the account is correctly deployed toward better performing economic sectors.
- *Stock Section* – This refers to how well stocks are selected within sectors and countries.
- *Trading* – This refers to intra-quarter transaction activity and its impact on portfolio performance.

Additionally, our non-U.S. returns both for the account and the indices are expressed in both the reporting currency (dollars for U.S. clients) and local currency.

In our **non-U.S. fixed income** performance section we compare how the actual account returned against the appropriate benchmark and then sub-divide the return into the following five performance attributes:

- *Currency Hedging* – Measures how well currency hedging has contributed to the portfolio's performance.



- *Currency Selection* – This represents the contribution of (under) overweighting currencies as a result of country allocation.
- *Country Market Selection* – This represents the contribution of (under) overweighting certain country fixed income markets.
- *Duration* – This measures the duration decision within each country.
- *Other* – This represents transaction activity for the quarter.

For complex portfolios that include extensive futures and options positions, we will use Wilshire AtlasSM and Wilshire AxiomSM software, which have fully integrated these complex securities into the attribution and risk analysis.

For hedge funds and hedge fund-of-funds, Wilshire employs Bear Measurisk analytics, one of two premier hedge fund portfolio analytic systems available, to produce client performance and risk reports. Using this platform we can provide customized reporting which centers on portfolio risk exposures from industry and issue type to leverage and credit exposures.

a) Describe your firm's capabilities in the development of risk/return characteristics of the asset mix as a whole and of each asset category and manager style.

Wilshire believes that return should only be measured and evaluated in the context of risk taken. The primary tools we use to describe, quantify and evaluate risk are the Wilshire AtlasSM, the Wilshire AxiomSM, and recently, the Wilshire iQuantumSM which incorporate best-of-class equity and fixed income risk models. These ex-ante, multi-factor risk models use advanced statistical and investment theory. They are used by asset managers around the world to provide a comprehensive understanding of the investment risks in their portfolios. We believe it is a major comparative advantage to have the developers and designers of these systems at our disposal.

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- Active Risk Decomposition



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8. Describe how a new client would transition to your services and setup fees, if any.

The timely and accurate transfer of historical data to our performance measurement and reporting system would be among the first orders of business if Wilshire is chosen as the investment consultant for the City of Fort Lauderdale. Our extensive consulting experience and our technological capabilities should enable us to make a smooth transition of historical data to our systems.

Wilshire would begin the transition process by back loading a full history of investment performance data from the prior consultant. The preferred method of transfer would be electronic. Wilshire's systems are capable of loading data in many formats, so transitions can usually be implemented electronically. In the event that



electronic transfer is unavailable, a hard copy would be employed to manually transfer the data to our performance measurement and reporting system. In order to ensure the accuracy of the data transfer, a copy in both formats would be advisable to assist in the reconciliation process.

Once the guidelines have been agreed upon and the contracts finalized, Wilshire will assist the client in transitioning the assets from the prior fund(s) to the new fund. As part of this process, Wilshire will assist the client in seeking the lowest cost method for the transition. In general, we prefer securities be transferred in-kind. However, if the new fund is unable to use all of the prior fund(s) securities, we suggest that either the new manager or a third-party transition agent be used to facilitate the lowest cost disposition of the assets. In general, the index manager for an investment program is the best player for this role as they are able to cross many of the securities within their own array of index funds. Through this process, we have been able to save clients hundreds of thousands of dollars by implementing transition plans to reduce brokerage costs.

Wilshire's annual retainer fee is all-inclusive. As a result, there would be no separate fees or charges associated with account set-up or transition.

9. When the performance of an investment manager is not what is expected by your client, what additional steps would you follow in monitoring that managers' performance?

The termination of an investment manager is an important and difficult decision for plan sponsors. The intention is to avoid terminating long term value-adding or truly skillful managers and avoid retaining value-detracting or unskilled managers. Wilshire believes that managers should generally be allowed a full market cycle (i.e., three to five years) over which to affect their strategy before termination is advised. Exceptions to this are: organizational changes which would adversely affect the investment process, departures of key investment professionals, substantive change in investment style or process, and / or sharp deviations in volatility versus expectations for manager.

In order to assist clients, Wilshire has developed a process we recommend clients apply in the manager retention / termination decision. Through a combination of qualitative and quantitative evaluation techniques, we attempt to identify both the timing and rationale for terminating managers when warranted.

The following are the criteria typically used by our consultants for recommending that a manager be placed on probation, removed from probation, or terminated.



Placing a Manager on Probation

- Violation of quantitative guidelines for three consecutive quarters in the absence of a satisfactory explanation. It may indicate a change in style, particularly if performance has been sub-par.
- Violation of a restriction in the guidelines (i.e. buying a restricted stock). This kind of violation may be indicative of poor account review procedures by the manager which could lead to even larger problems.
- An unexpected action by the manager, even if it may not affect performance in the near term. For example, the key investment professional assumes additional responsibility not anticipated at the time of hire, a change in ownership structure of the firm or turnover of professional staff.
- Performance results below expectations for the style that persist for a year.

Removing a Manager from Probation

Generally, Wilshire will advise clients to place a manager on probation for at least a year. If the conditions outlined above do not recur in that time then the manager can be removed from probation.

Terminating a Manager

- Recurrence of an action during the probationary period in the absence of a credible and plausible justification from the manager.
- Breach of fiduciary responsibility and / or contract.
- Loss of key investment professionals associated with the client account if no adequate back up exists.
- Performance results are below objective over a full market cycle or the agreed observation period.
- Change in style or strategy which will not meet original objectives.
- Material violations of law or regulatory standards.



Research Capabilities

1. What internal research capabilities and resources does your organization have to obtain information and assist in decision-making?

Wilshire Consulting's Research Group is comprised of our Asset Allocation Group and Investment Research Group. The Asset Allocation Group focuses on developing and maintaining Wilshire's proprietary asset / liability models, while the Investment Research Group performs in depth analysis of all aspects of an institutional investment program, including, for example, capital and alternative market research, investment structure research and industry analysis.

Under a single research platform, the merging of our Asset Allocation Group and Investment Research Group ensures the collaboration of distinct, yet complimentary areas of Wilshire's consulting focus. This uniform structure maximizes the research input of Wilshire's lead actuary, who is critical in assisting on research issues pertaining both directly and indirectly to asset allocation issues.

Headed by Steve Foresti, Managing Director and a 16-year veteran at Wilshire Associates with over 19 years of industry experience, Wilshire Consulting's Research Group has a distinct structure that combines the efforts of dedicated independent researchers (independent of client service responsibilities) and senior consultants, who ensure client advocacy and the direction of research work toward germane subjects that are of particular interest to our clients.

Wilshire Consulting's Research Group also benefits from the direct contributions of Julia Bonafede, President of Wilshire Consulting. Julia's personal involvement solidifies Wilshire's research commitment and ensures that the effort continues to receive high level priority. To ensure relevancy, senior consultants participate on an ad hoc basis. Since the consultants' primary responsibility is serving their clients, the rotating nature of their participation in research ensures that they can satisfy their primary objective. However, since client issues often are the genesis for research ideas, the senior consultants are instrumental in bringing those issues forward and seeing that the attendant research contains practical recommendations and is carried through to completion.

While many research topics are the direct result of client feedback and discussion, Wilshire Consulting's Research Group routinely pursues interesting ideas to enable Wilshire to remain a thought leader in the industry. We find that the combination of independent research, coupled with client-driven advocacy through consultant involvement in the research process, ensures an end product that is focused on relevant challenges facing Wilshire's consulting clients.



2. How does your firm gain knowledge pertaining to the relevant products and technology in the pension industry, and maintain an ongoing understanding of global market environments?

Wilshire Consulting strives to be a thought leader in the financial industry on behalf of our clients. Our Investment Research Group, database resources, and analytics combine to give us an advantage in the discovery, analysis, prudent implementation and ongoing monitoring and review of new investment opportunities as they emerge and develop in the marketplace. Among the highlights of Wilshire Consulting's investment research efforts:

- Comprehensive analyses of strategic and tactical opportunities in the public markets, with frequent updates as financial engineering innovations bring new instruments to market;
- Thorough examinations and re-evaluations of the ever-changing landscape of alternative investments;
- Wilshire's annual Pension Funding Studies, widely-publicized and highly-regarded in the industry, surveying the structure and financial health of corporate, state and city/county pension plans;
- Seminal research on the management of currency exposure risk in institutional portfolios, with a focus on the role of currency management in global investment programs. Exposure to non-home market currencies represents a source of portfolio risk from which investors cannot assume systematic reward. Currency hedging represents one method of mitigating currency risk, albeit at additional cost to the investment program. Active currency management techniques attempt to capture excess return on short-term currency movement; the track record of active currency managers varies considerably. Wilshire's approach is to review each client's risk tolerance and non-home market asset exposures to determine the prudent course of action.
- Frequent assessments of market conditions and liquidity challenges during the major market dislocation of 2007-2008. Global markets suffered a Perfect Storm of calamitous events during this period; the bursting of the global real estate bubble combined with overextended credit and over-levered assets to bring about the spectacular collapses of Bear Stearns and Lehman Brothers as well as a worldwide liquidity crisis that required international central bank involvement to restore stability and investor confidence. Wilshire research helped clients negotiate the challenging market environment of wildly volatile asset valuations and unprecedented yield spreads, and revealed emerging investment opportunities as markets regained more stable footing.



- Numerous research papers and presentations exploring Real Assets: Commodities, Real Estate, Infrastructure, TIPS and Inflation-Linked Fixed Income, etc. Real Asset space comprises a wide variety of assets whose price movements correlate positively with inflation. They can offer unique diversification benefits to institutional portfolios as well as a potential source of higher risk-adjusted return. Within an asset-liability framework, real assets can also offer a source of inflation hedge vis-à-vis projected benefits or spending requirements.
- Ongoing research on the utilization of leverage within a pension plan's asset allocation strategy, with a major article published February 2010 entitled, "Risk-Focused Diversification." As institutional investors work to satisfy spending requirements, their portfolios become dominated by high risk asset classes such as equity. While dollars held in such investments is meaningful, it is the risk these asset classes contribute to overall portfolio volatility that is really glaring. Leverage—essentially borrowed or short cash—can help rebalance the risk contribution by increasing the amount invested in low risk but more efficient asset classes while still targeting the portfolio's required return. The theory behind the strategy is sound, although inclusion in a portfolio will bring new and complex risks that must be thoroughly understood by investors. Results in strategies that have been implemented are encouraging, and Wilshire is continuing to research any and all aspects of utilizing leverage within asset allocation.

Wilshire Consulting's dedicated Investment Research Group and field consultants work closely with other industry peers and are knowledgeable about the innovations and new developments in the market. We conduct proprietary research to analyze trends and developments, and devise new solutions to help our clients react.

The foundation of analyzing, monitoring and reporting on market trends lies in the breadth and quality of a firm's database and risk management tools. Wilshire invests several hundred thousand dollars each year in databases from leading providers in the industry. In addition, Wilshire has developed many of the widely used market indices from this database (e.g. Wilshire 5000 Total Market IndexSM) that others follow today.

Wilshire Consulting's Research Group, database resources and analytics give us an advantage in the understanding of market trends. Wilshire invests several hundred thousand dollars each year in databases from leading providers in the industry. In addition, Wilshire has developed many of the widely used market indices from this database (e.g. Wilshire 5000 Total Market IndexSM) that others follow today. Wilshire also belongs to several professional associations, including: Group Council of Institutional Investors, Institute for Fiduciary Education, the CFA Institute and the Q



Group. Wilshire participates in select domestic and international institutional investor conferences with an educational objective. Wilshire also subscribes to the Spencer reports, which provide frequent, regular updates regarding pension legislation and ERISA-related issues for defined benefit and defined contribution plans.

The non-U.S. marketplace has shown more and more interest in Wilshire's capabilities and products. This has led to our expansion of operations to London, Amsterdam, Canberra, Singapore, and Tokyo. The cross-fertilization of consulting and our analytics products further enhances our reporting and tracking capabilities of global trends and influences.

Once a new trend or influence has been identified and researched, Wilshire's research results are circulated to clients and consultants through our "white papers." In addition, Wilshire distributes research on industry and market trends in three types of regularly scheduled reports, namely, monthly and quarterly *Wilshire Perspectives* and our annual Asset Allocation Report. These reports are sent to our clients and are available electronically by email and on our website.

3. How many individuals in your firm are dedicated to research, what are their responsibilities, and where are they located?

Wilshire Consulting utilizes two main research areas within the firm: Wilshire Consulting Research Group and Wilshire's Manager Research Group. A description of each group is provided below.

Wilshire Consulting's Research Group

Wilshire Consulting's Research Group is comprised of our Asset Allocation Group (three professionals) and our Investment Research Group (four professionals) located in our Santa Monica and Pittsburgh offices. The Asset Allocation Group focuses on developing and maintaining Wilshire's proprietary asset / liability models, while the Investment Research Group performs in depth analysis of all aspects of an institutional investment program, including, for example, capital and alternative market research, investment structure research and industry analysis.

Wilshire's Manager Research Group

Wilshire's Manager Research Group (six professionals located in our Santa Monica and Pittsburgh offices) conducts ongoing evaluation and monitoring of manager products through the use of our comprehensive manager database, formal scoring process, and extensive consultant involvement through investment committees. Product specialists, similar to industry analysts in large investment management firms, are assigned to cover an individual asset class or a subset of an asset class. It is



their responsibility to review and rank managers based on quantitative scoring and qualitative evaluation derived from interviews, on-site due-diligence, and scoring of the qualitative questionnaires submitted in our database. Our research platform is open to any manager who wishes to submit answers to our detailed questionnaires. The product specialists' analyses help Wilshire ensure that we maintain a stable of high quality, institutionally oriented, investment managers for use in our clients' portfolios.

In addition, Wilshire consultants' experience specifically contributes to manager research. Wilshire Consulting maintains Product Review Committees. These committees are made up of at least three senior consulting professionals and their role is to interview the top manager candidates and assign final product rankings. The product evaluations and rankings are used by all Wilshire consultants to assist clients in the selection of new products and the evaluation of existing products. Product Review Committees are detailed below:

<p>Large Cap Growth Mike Rush, Vice President* Bill Bensur, Managing Director Karyn Williams, Managing Director Felicia Bennett, Vice President</p>	<p>Small / Mid Cap Growth Amy Hemphill, Vice President Mark Brubaker, Managing Director Marlin Pease, Managing Director</p>	<p>Small / Mid Cap Value Mike Dudkowski, Managing Director* Mark Brubaker, Managing Director Steve Foresti, Managing Director</p>
<p>Large Cap Value Mike Rush, Vice President* Karyn Williams, Managing Director Howard Yata, Managing Director</p>	<p>Large Cap Core Jim Rice, Vice President* Howard Yata, Managing Director Mike Tudor, Vice President</p>	<p>Non-US Equity / Emerging Markets Andrew Junkin, Managing Director* Steve Foresti, Managing Director Julia Bonafede, President</p>
<p>Specialty Fixed Income Joe Dressel, Senior Associate* Eileen Neill, Managing Director David Lindberg, Managing Director</p>	<p>Core Fixed Income Amy Hemphill, Vice President* Julia Bonafede, president Eileen Neill, Managing Director Charley Stunkard, Managing Director</p>	<p>Private Equity Jim Neill, Managing Director* Tom Toth, Vice President Mike Patalsky, Vice President Karim Simplis, Senior Associate</p>
<p>Hedge Funds Maggie Rabovsky, Managing Director* Thomas Toth, Vice President</p>	<p>Record Keeper & Custodian Russell Walker, Vice President* Mike Patalsky, Vice President Ting Yeh, Senior Associate</p>	<p>Public / Private Real Estate and Infrastructure Mike Dudkowski, Managing Director* Mike Rush, Vice President Alex Browning, Senior Associate Michael Schlachter, Managing Director</p>
<p>Transition Management Michael Patalsky, Vice President* Joe Dressel, Senior Associate</p>	<p>Natural Resources / Commodities Michael Schlachter, Managing Director* Felicia Bennett, Vice President Alex Browning, Senior Associate</p>	<p>Emerging Managers Andrew Junkin, Manager Director* Michael Schlachter, Managing Director Mark Brubaker, Managing Director</p>

*Committee Leader



In addition, Wilshire maintains a dedicated position within our Investment Research Group that is focused on manager research issues. We have found this position to be invaluable in consistently communicating the information flow from our manager research analysts through to our consulting teams and in helping to ensure that the insights from our manager research efforts are most effectively utilized within our general capital markets research.

4. Describe your firms' manager research, evaluation and search capabilities in both the traditional marketable securities markets as well as your capabilities in less traditional, alternative assets areas, e.g. marketable alternative assets, hedge funds, and private, non-marketable equity funds such as real estate, private equity, venture capital, etc.

Wilshire Consulting has extensive capabilities and experience in assisting clients in the area of alternative investments. We have a 20-year track record assisting clients to diversify their portfolios into alternative investments, including real estate, private equity, venture capital, hedge funds, and commodities. Wilshire has professional staff that is dedicated to sourcing and conducting due diligence on suitable investment managers or general partners. Wilshire Private Markets conducts due diligence on private equity, venture capital, secondary limited partnerships, and real estate. Unlike other firms, that sometimes act solely as advocates for alternative investments because it is in their financial interest to do so, Wilshire's due diligence extends to researching and formulating governance structures that allow large fund sponsors to take advantage of their size through lower fees, improved contract terms, and favorable access to investment opportunities.

As part of the full-retainer consulting fee, Wilshire provides the following services relating to alternative investments:

- Top-down asset allocation recommendations
- Portfolio structuring advice regarding the appropriate allocation to venture capital, leveraged buyout funds, secondaries, non-U.S. private equity, etc.
- Fund-of-funds searches – broadly diversified or niche products
- Implementation assistance to ensure that a client's portfolio is diversified not only by asset class, but also by vintage year
- Fee and partnership agreement negotiations for fund-of-funds vehicles

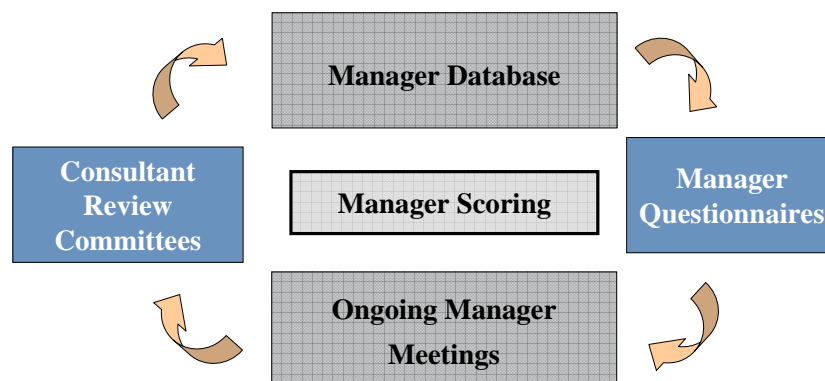
Wilshire believes that a fund-of-funds approach is generally optimal for most sponsors seeking to implement a private equity or hedge-fund allocation because it can offer superior diversification, access to top-tier General Partners / Managers, and more thorough fiduciary oversight than a direct investment program.



Wilshire believes it has developed a leading research effort that is predictive, powerful and precisely articulated. Our quantitative component is supplemented by a qualitative component largely focused on specific areas within the organizations investment team, process, and resources. We also build in a component evaluating the term structure and fund terms. Wilshire Consulting maintains product research committees comprised of consultants to evaluate and maintain research on hedge funds, private equity fund-of-funds, private real estate, and real assets.

Wilshire's search process for conducting a hedge fund-of-funds manager search starts with the individuals within Wilshire Consulting who are responsible for following hedge fund-of-funds. They conduct ongoing evaluation, monitoring and in-depth research of manager products using our comprehensive manager database, formal scoring process, and extensive consultant involvement through investment committees.

The following exhibit illustrates the manager evaluation process:



Manager Database

Our internally developed database holds 389 hedge fund-of-funds investment products and 569 hedge fund products. We maintain separate databases of approximately 70 private equity fund-of-funds products and 50 private real estate managers. In addition, our real estate database has more than 100 managers.

Hedge fund-of-fund mangers are generally scored as follows:

- Organization and Firm (15%)
- People and Experience (15%)
- Product (15%)
- Investment Process – Portfolio Construction (20%)



- Investment Process – Risk Management (20%)
- Fees (15%)

Manager Questionnaires

Wilshire's manager data is collected directly from managers through their responses to our quantitative and qualitative questionnaires and website data submissions. Wilshire's databases are unique in that actual equity manager portfolios are input into our databases so that portfolio characteristics can be calculated in a uniform fashion across all managers, making manager comparisons more accurate.

Quantitative Information: Wilshire utilizes an internally developed web-based data collection facility, known as Wilshire Odyssey, to help managers and Wilshire in the creation and retrieval of quantitative information. This information is then input into our proprietary Wilshire Compass system. Our quantitative questionnaires are designed to provide comprehensive profiles of managers who extend beyond just performance numbers and include general business information such as key professionals, investment process, research sources, investment style, fees, and performance, including how performance is calculated. Additionally, we also process portfolios submitted by managers. Performance data, of course, goes back to inception of the investment product and is maintained on at least a quarterly basis. Wilshire also requests a response from the manager regarding CFA Institute compliance and outside audit verification. Minority-owned, women-owned, and disabled veteran-owned managers are incorporated into the Wilshire database in the same manner as other managers, according to asset class. Wilshire uses its security databases to calculate portfolio characteristics, which are consistent across managers and over time. This capability also differentiates Wilshire's databases from others. For hedge fund-of-fund managers, we compile the following fund terms and details:

- Style (e.g., market neutral, multi-strategy, etc.)
- Philosophy
- On-shore vs. Off-shore (potential for UBTI issues for ERISA clients)
- Fund structure (e.g., master feeder, etc.)
- Target Return
- Target Risk
- Legal entity (e.g., LP, etc.)
- Hurdle Rate
- High Water mark
- Leverage
- Gate provisions
- Redemption penalties



- Fees
- Lock-ups
- Performance
- AUM
- Registered Investment Adviser
- Risk Management characteristics (Leverage, Hedging, Liquidity, Diversification, and Overall risk management approach)
- Fund Administration
- Systems description
- Fund Compliance
- Fund Counterparties
- Legal issues
- Potential for conflict of interest

Qualitative Information: Wilshire collects and maintains a universe of qualitative questionnaires submitted by investment managers for the products they offer. Three types of questionnaires are collected from each firm: one addressing the firm, one addressing the asset class and one that is product specific. These questionnaires are maintained electronically. Additionally, Wilshire collects and maintains all marketing presentations, manager news and manager letters electronically.

Wilshire places much greater emphasis on the assessment of qualitative variables when evaluating organizations and their respective products. Our manager selection and review process is labor-intensive and forward-looking, with predominant weighting given to qualitative factors that we believe are supportive of possible manager out-performance in the future. Key characteristics that Wilshire may focus on are:

- Organizational and / or ownership structure that promotes professional stability, organic growth and a commitment to excellence.
- A compensation structure that clearly and effectively aligns investment professionals' and clients' interests (e.g., a significant portion of professional compensation is tied to client investment results).
- A stable, cohesive and seasoned investment professional staff with strong leadership.
- A clearly articulated investment philosophy that is well supported by empirical evidence.
- A disciplined investment process that can consistently capture an inefficiency or anomaly in the market.



- Clear lines of decision making authority and accountability.
- Consistent, risk-adjusted performance.
- Competitive and reasonable fees.

Ongoing Manager Meetings

Another important part of our manager evaluation process is manager meetings, which, for hedge fund of funds, are conducted on an on-going basis by our investment consultants, who all have deep experience in manager evaluation and monitoring. Wilshire conducts meetings both at Wilshire offices and on-site at manager offices. When conducting an on-site visit, our manager research specialists spend several hours in an investment manager's office, meeting with key investment professionals, senior business management professionals and operations professionals on an individual basis. Wilshire observes the investment process (e.g. attend investment meetings), reviews internal research, assesses portfolio management / research tools (e.g. databases, valuation models, etc.), reviews compliance procedures, and assesses trading capabilities. Manager research professionals and consulting staff meet with approximately 1,500 managers per year. Our extensive dealings with managers have allowed us to develop a manager due diligence checklist that details specific issues that should be explored during on-site visits.

Review Committees

After all products under consideration have been given a preliminary score, Wilshire consultants become actively involved in the process through Product Review Committees. Wilshire consultants' experience specifically contributes to the manager research process. Every category is overseen by a Product Review Committee made up of at least three senior consulting professionals. The Committee's role is to interview the top manager candidates and assign final product rankings. The product evaluations and rankings are used by all Wilshire consultants to assist clients in the selection of new products and the evaluation of existing products.

Screening Variables and Capabilities

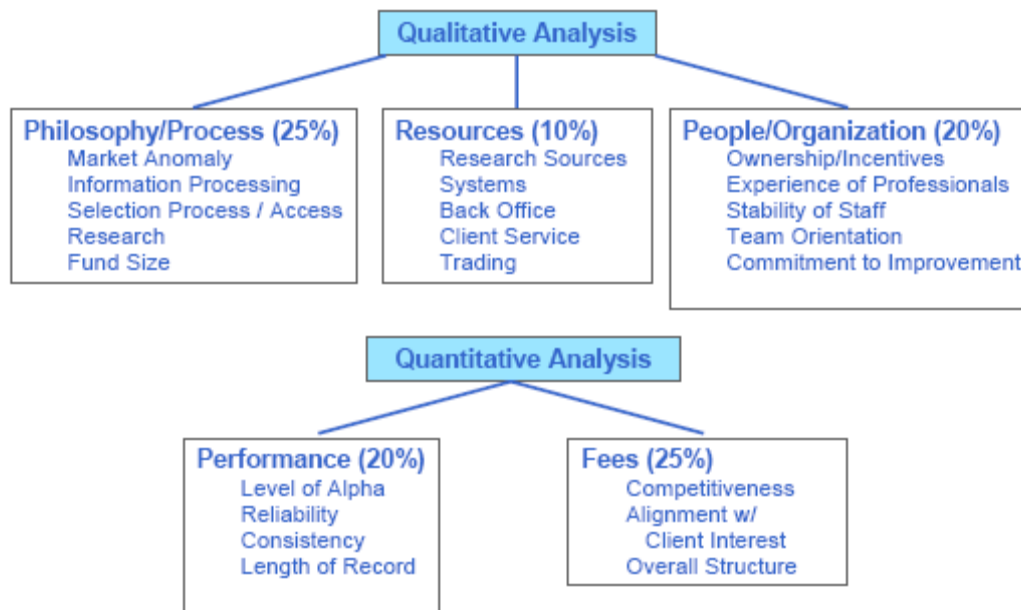
The consultant then works with the client to determine screening criteria so that a suitable candidate list can be identified. The client's input is critical at this step of the process. Our manager database allows us to screen for over 100 different criteria, including special circumstances.

Private Equity

To evaluate private equity fund of fund managers, Wilshire has established an asset class committee comprised of three senior consultants and a research associate. The private equity committee is responsible for general market research on the asset class and researching and selecting a universe of institutional quality private equity fund of fund managers. These managers must complete a Wilshire RFI and meet with the



committee in order to be considered for a search. The committee will then conduct onsite due diligence meetings with every manager that fulfills our evaluation criteria. The following exhibit illustrates our private equity fund of funds manager evaluation process.



In terms of evaluating performance, Wilshire analyzes the individual fund IRRs versus the Venture Economics universe of private equity funds by fund type for the same vintage year. For example, we would evaluate Fund XYZ's 2000 vintage year Early Stage venture capital fund versus the Venture Economics universe of 2000 vintage year early stage venture capital funds to see where Fund XYZ's results ranked in order to determine the relative success of the fund. We also compare fund results versus an asset class benchmark of the Wilshire 5000 + 3% to see if the class of funds is meeting the broader objective for private equity funds in general.

We do not put much emphasis on funds where the vintage year is less than five years old as early performance results are generally not indicative of the long term success of the fund. Instead, we look at a particular private equity fund-of-fund managers prior fund offerings of the same type of fund to determine what the probability of success may be. For example, if the vintage year of Fund XYZ's current LBO fund is 2006, we would look at prior LBO funds with vintage years greater than five years old to assess the progress of the performance in the current LBO fund. Additionally, we would look to see how those prior funds performed against our asset class hurdle rate for LBO funds, in general as well as versus the Venture Economics universe data for comparable vintage year LBO funds. We also look at the fund strategy and



expected sub-strategy allocations are to determine the probability of success based upon our understanding of the current and expected factors driving private equity results.

We believe our strengths lie in our unique, proprietary private equity database of approximately 40 fund of funds managers, our client base of large, sophisticated clients, most of which employ private equities, and the experience of our private equity fund of fund specialists, which reside within Wilshire Consulting. We believe the complexities and nature of the private equity asset class require a higher level of experience in manager evaluation than for traditional asset classes, which are ably covered by the analysts within Wilshire's Manager Research Group. However, since private equities are illiquid and clients must be comfortable with the long term nature of the relationships with the private equities fund of funds managers, we prefer to have experienced consulting staff oversee our evaluation and monitoring efforts in private equities. We do not believe we have any weaknesses in this area since we were one of the first, if not the first, consulting firm to research and subsequently advocate private equities to our clients.

Real Estate

Until a few years ago, Wilshire had emphasized utilization of REITS for real estate implementation by our clients as a relatively simple, low cost means of accessing the real estate markets. In the early 1990's, we developed the first institutional benchmark for REITS, the Wilshire Real Estate Securities IndexSM, which is a widely used benchmark by REIT managers. In the last several years, we have been researching and monitoring private real estate and real asset (i.e., Timber, Infrastructure, Clean funds, etc.) managers and have built a private Real Estate database as we believe the private real estate and real asset markets are the best means to access unique core, opportunistic or non-core real estate and real assets, which we believe can play a role in our client real asset programs. Most of our large public fund clients have a combination of private and public market real estate in varying combinations depending upon their internal staff resources and the size of their respective real estate allocation and Wilshire now assists in the selection and monitoring of the both private and public market real estate managers. This scope of our real estate consulting includes investment policy statement development, investment guidelines development and performance measurement.

We have one individual currently researching and monitoring REIT managers. We also have recently added another individual to begin researching and monitoring private real estate managers as we believe private real estate is the best means to access opportunistic, or non-core real estate, which we believe can play a role in our client real estate programs. Most of our large public fund clients have a combination of private and public market real estate in varying combinations depending upon their internal staff resources and the size of their respective real estate allocation and



Wilshire has generally assisted in the selection and monitoring of the public market real estate managers.

5. What do you do to stay current with the Florida public pension laws?

Wilshire will stay current with Florida public pension laws and regulations by using the internet to monitor any regulatory changes. Additionally, as with many of our clients, we believe that open and constant communication between our consulting team and the staff of the fund is integral to the compliance process.

Additionally, we will assure compliance with various statutes, rules, regulations and administrative bulletins relative to procurement in Florida.

Wilshire works with clients to specify overall objectives that are consistent with the plan's financial and compliance requirements, reflect the asset allocation strategy, and are realistic given available investment opportunities. A written policy statement establishing overall investment objectives is prepared. It includes specific policies and procedures, asset allocation guidelines, and performance objectives. Items that should be included in the investment policy are:

- Mission Statement / Objectives
- Asset Allocation Policy
- Duties and Responsibilities of all Parties
- Investment Philosophy
- Investment Structure
- Individual Manager Guidelines
- Proxy Voting Policy
- Brokerage of Soft-Dollar Policy
- Manager Retention and Evaluation Policy
- Rebalancing Policy
- Securities Lending
- Corporate Governance
- Derivatives Policy



OTHER

1. Please describe any investment consulting services that you can provide that have not been covered in previous sections. Discuss associated fees, if any.

Wilshire's annual retainer fee is all inclusive. As a result, there would be no separate non-recurring fees or charges associated with account set-up or transition.

2. Does your firm have insurance coverage for errors or omission of at least \$5 million, or general liability insurance of at least \$1 million? Will you provide certificates if your firm is hired and annually thereafter?

TYPE OF POLICY / BOND	AGGREGATE LIABILITY LIMIT	INSURER	A.M. BEST RATING
<i>Investment Advisors Errors and Omissions*</i>	\$10,000,000*	St. Paul Travelers	A

- * Most errors and omissions coverage deals with discretionary items, and since Wilshire does not have discretion over most of our clients' assets, we do not find it necessary to have such coverage for our general consulting practice. However, for those clients who for legal or other reasons require errors and omissions coverage, we carry errors and omissions insurance and would amend our policy to cover the additional client and add the additional cost to our consulting fee. We currently maintain an errors and omissions policy, with a limit of \$10,000,000 with St. Paul Travelers Insurance Company. However, as explained above, this coverage applies to specified consulting clients only.

3. What periodic publications do you distribute to your clients? How frequently?

The Investment Research Group generates research reports for Wilshire clients in the following four major category types:

Asset Class and Investment Strategy "White Papers"

Wilshire prepares a research report for its clients at the beginning of every year describing its recommended long term asset class return and risk assumptions for all recognized asset classes. The report describes in detail how Wilshire generates the assumptions used in all of our asset allocation studies. This asset allocation report is a perennial favorite among Wilshire clients and others. A full analysis of Wilshire's asset class assumptions can be found in our 2010 Asset Allocation Report, which is provided in the **Appendix, Tab 4**. Throughout the year, Wilshire produces white papers which are focused on particular asset classes and investment themes. These reports are designed to provide educational and historical background, assess return



and risk potential, examine structural trends in the asset class, and present actionable recommendations that consider implementation issues. White papers are sent electronically on an ongoing basis to clients as part of the overall relationship and are often generated as the result of specific client needs and / or in response to new trends in the industry. Wilshire strives to produce at least six topical research reports a year.

Market / Economic Reviews

Wilshire distributes a monthly *Wilshire Perspectives* newsletter, which contains major market index returns for all pertinent time periods in a tabular format. During the first week of each quarter, a quarterly *Wilshire Perspectives* is published, which includes a market commentary from our Investment Research Group. The goal of our Capital Markets Review is to outline recent and long-term market activity and results. Wilshire's Manager Research Group also provides a quarterly review of the most significant investment manager developments of the recently ended quarter. The monthly and quarterly *Wilshire Perspectives* newsletters are made available to clients electronically via email and through our website. The most recent monthly and quarterly *Wilshire Perspectives* are provided in the **Appendix, Tab 5**.

Topical / Event Driven

Wilshire Consulting's Investment Research Group closely monitors activities within the capital markets and issues research notes on material events which are pertinent to our clients' investments. All event driven research notes are focused on providing sufficient background and information, in a timely and easy to read manner, to assist Wilshire clients in determining an appropriate response to important industry events. As with all investment research reports, these publications are made available to Wilshire's consulting clients electronically via email and through our website.

Industry Trends

Each year, Wilshire produces three surveys on pension plan funding levels: one for States, one for Cities and Counties, and a third for Corporations. These reports are extremely popular with Wilshire clients as they serve as useful measures of how individual plans compare with their peers. Wilshire's funding reports have become a widely referenced source for researchers in both the private and public sectors.



The following table provides a representative sample of timely research topics that Wilshire Consulting has provided to its clients.

YEAR	PUBLICATION TITLE
2010	Benchmarking Private Investments
2010	Risk-Focused Diversification
2009	Wilshire Historical Investment Performance (WHIP) Score
2009	Use of Leverage in Investment Portfolios
2009	Implications of Return Non-normality on Asset Allocation
2009	SOS - TARP, TALF, PPIP, BAB
2009	Emerging Markets Debt (Two Parts)
2009	U.S. Government Activity in 2008-09 and Long Bonds
2008	2008 Stock Market Sell-off: Steeper than the Average Bear?
2008	Credit Crisis Events of 2008
2008	Commodities Market Price Spike
2008	Examining the Home Country Bias
2008	Non-U.S. Equity Investment Structure
2007	Real Asset Investments
2007	Rule 144A and the Capital Formation Landscape
2007	Thoughts on TIPS Correlations
2007	Timberland Investments

FEES

- Please provide a proposed annual fee schedule to encompass all of the items listed under the scope of services for the 3-year period of the contract.**

Wilshire believes the highest level of general consulting services to clients can best be achieved with long-term relationships where we have an opportunity to fully understand and appreciate the objectives, investment risk tolerance, legal obligations, and decision-making dynamics of our clients. Our experience has verified our belief that full-retainer consulting arrangements are most effective and beneficial for both parties. Therefore, Wilshire's standard fee structure is an annual retainer that includes all of the stated services and many special services that periodically arise. Full-retainer consulting relationships are the most economical way for clients to take advantage of our capabilities and resources.



The consulting services in the full-retainer relationship include:

- Asset / liability valuation analysis
- Investment policy development
- Asset class analysis and structuring
- Investment manager searches
 - Public market managers
 - Alpha transfer programs
 - Commingled real estate
 - Fund of funds private equity
 - Fund of funds hedge funds
- Investment manager fee negotiation
- Investment manager objectives and guidelines
- Custodial searches / record keeping and other vendor searches as appropriate
- Meetings with the investment committee and /or Board
- Meetings with investment managers
- Quarterly performance measurement reporting
- Access to Wilshire's topical research reports
- Participation in Wilshire's annual client conference
- Customized client education

For the City of Fort Lauderdale, our proposed annual retainer fee is \$300,000, plus reasonable travel expenses for meetings, manager searches and other related services. This fee is subject to a one year minimum time period and is guaranteed for that time period. Wilshire builds an annual inflation escalator into our retainer fee. Therefore, our annual fee is adjusted each year (on the month-end closest to the contract anniversary) to reflect the change in the prior 12-month level of the Consumer Price Index ("CPI").

Wilshire's annual retainer fee is all inclusive. As a result, there would be no separate non-recurring fees or charges associated with account set-up or transition.

2. In addition, provide a separate fee schedule for any additional services you could provide that would not be done on a regular or at least annual basis.

Not applicable.