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WILSHIRE ANALYTICS INTRODUCES NEW RISK PARITY BENCHMARK TO ADDRESS MARKETPLACE GAP AND PROVIDE MORE REPRESENTATIVE MEASUREMENT

- Public Employees Retirement Association of New Mexico (PERA) Retains Mellon to Implement Replication of Wilshire Index Strategy on Their Behalf -

SANTA MONICA, Calif., June 11, 2019 – Wilshire Associates (Wilshire®) today announced the launch of the Wilshire Risk Parity Index, the first in a family of risk parity indexes now broadly available in the marketplace, as a custom index solution for Public Employees Retirement Association of New Mexico (PERA). The index family is designed to provide a more representative benchmark of risk parity strategies than solutions currently available. New Mexico PERA plans to allocate up to 10% of its portfolio to a strategy that combines the benefits of the Wilshire risk parity approach with a robust passive implementation that helps significantly reduce fees. Mellon Investments Corporation (Mellon), a global investment manager with a full spectrum of single and multi-asset investment solutions, has been retained to execute a replication of the Wilshire index strategy on behalf of New Mexico PERA.

The Wilshire Risk Parity Index allocates risk equally among three risk baskets (equity, rates and inflation), while targeting a 15% ex-ante volatility. Each basket contains a diverse, yet representative, set of liquid futures to capture main asset risk drivers and minimize index turnover.

A key driver for the development of the Wilshire Risk Parity Index was New Mexico PERA’s lack of available options in the marketplace for a definitive robust and pragmatic benchmark solution. The new index fills that gap by capturing main performance drivers of risk parity and is differentiated along three lines: structural, investment selection and short-term responsiveness. Structurally, an optimized variance-covariance matrix streamlines allocation to the risk drivers. Investments chosen include highly liquid representative instruments designed to improve efficiency and reduce index turnover, including U.S. Treasury Inflation-Protected Securities, which are the definitive gauge for rates and inflation, and fewer commodities than are typically leveraged in similar solutions. Lastly, while volatility is anchored to both long- and short-term measures, Wilshire collaborated with New Mexico PERA to significantly enhance short-term responsiveness via a VIX-based equity dampener.
“Identifying a viable index to integrate into policy was very important for us,” noted Kristin Varela, Deputy Chief Investment Officer at New Mexico PERA. “We recognized the inefficiencies in indexing such strategies and believed there could be a more robust solution available. Identifying providers that could partner with us to turn a vision into a solution was key in this process, and we believe the work done with Wilshire and Mellon has the potential to change how investors allocate to similar strategies going forward. The index is an innovative solution that will allow New Mexico PERA to enhance its policy portfolio through a low-cost replication strategy, while also serving as a prudent index to appropriately measure the success of active management.”

Wilshire also collaborated with experienced managers in the risk parity space, including Mellon, to ensure the index accurately reflected exposures taken by active managers. Roberto Croce, Ph.D. and senior portfolio manager for the risk parity team at Mellon, provided essential input throughout the index construction process.

“All the way through the index construction process, we love the fact that Wilshire developed a solution that is truly an innovative index and that Mellon is supporting for a partnership,” commented Roberto Croce, Managing Director and Senior Portfolio Manager at Mellon. “Wilshire’s Risk Parity Index is the first index to capture the key diversification and risk management features of risk parity strategies. This index means risk parity is finally accessible to investors with a passive philosophy or very tight tracking error constraints.”

Jason Schwarz, president of Wilshire Analytics and Wilshire Funds Management noted, “We are proud to have crafted a solution, in collaboration with both New Mexico PERA and Mellon, which addresses a clear gap in the marketplace. In keeping with Wilshire’s deep knowledge of both the pension market and complex world of providing scalable risk analytics and relevant benchmarks, we were uniquely positioned to deliver. We look forward to future collaboration with both organizations.”

Index returns: https://www.wilshire.com/indexcalculator/

About Wilshire Associates
Wilshire Associates, a leading global financial services firm, provides consulting services, analytics solutions and customized investment solutions to plan sponsors, investment managers and financial intermediaries. Its business units include, Wilshire Analytics, Wilshire Consulting, Wilshire Funds Management and Wilshire Private Markets. The firm was founded in 1972, providing revolutionary technology and acting as an early innovator in the application of investment analytics and research to investment managers in the institutional marketplace. Wilshire also is credited with helping to develop the field of quantitative investment analysis that uses mathematical tools to analyze market risks. All other business units evolved from Wilshire’s strong analytics foundation. Wilshire developed the Wilshire 5000 Total Market Index and became an early innovator in creating integrated asset/liability analysis/simulation models as well as practical models in risk budgeting through beta and active risk analysis. Wilshire has grown to a firm of approximately 270 employees serving the needs of investors around the world. Based in Santa Monica, California, Wilshire provides services to clients in more than 20
countries representing 500 organizations whose assets total approximately US $9 trillion.* With ten offices worldwide, Wilshire Associates and its affiliates are dedicated to providing clients with the highest quality products and services. Wilshire® is a registered service mark of Wilshire Associates Incorporated.

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*Client assets are as represented by Pensions & Investments (P&I), detailed in P&I’s “Largest Retirement Funds” and P&I’s “Largest Money Managers (U.S. institutional tax-exempt assets)” as of 9/30/17 and 12/31/17, and published 2/5/18 and 5/28/18, respectively.

About New Mexico PERA (PERA)
The Public Employees Retirement Association of New Mexico (PERA) is a public pension plan established in 1947. The fund serves over 90,000 members, both active and retired, and distributes over $1 billion in pension benefits to the state of New Mexico annually. PERA manages a $15.4 billion multi-asset portfolio, as of March 31, 2019, and is currently 72% funded.

For more information, please visit www.nmpera.org.

About Mellon Investments Corporation (Mellon)
Mellon Investments Corporation (Mellon) is a global multi-specialist investment manager with a full spectrum of research-driven solutions using both active and passive strategies. With $540 billion in assets under management as of March 31, 2019. Mellon serves a wide variety of institutional and intermediary clients located in over 29 countries and territories. Backed by quality research, a robust infrastructure and integrated systems and processes, our investment disciplines include active equity, active fixed income, index, efficient beta, multi-asset and multi-factor investing. Our strategies are designed to meet growing client demand for more diversified, sophisticated investment solutions. We aim to be a key partner for our clients by delivering customized investment outcomes and best-in-class service.

For more information, please visit www.mellon.com.

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