

**Callan Associates Inc. Responses to
the DOL and SEC Recommended Questions for Selecting and
Monitoring Pension Consultants: Tips for Plan Fiduciaries**

- 1. Are you registered with the SEC or a state securities regulator as an investment adviser? If so, have you provided me with all the disclosures required under those laws (including Part II of Form ADV)?**

Yes. Callan is a registered investment adviser with the SEC. Pursuant to SEC rules and regulations, we offer our Form ADV Part II to all of our clients on an annual basis as well as provide it at the initiation of our business relationship with them. We also provide our Form ADV Part II to clients and prospects upon request. Attachment 1 provides a comprehensive description of the disclosures we provide.

- 2. Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, describe those relationships.**

Callan provides consulting services to money managers for a fee. Attachment 2 provides details on the products and services Callan provides to money managers. Callan has no ownership interest in or affiliate relationships with money managers and has no related companies, either parent or subsidiary. Callan does have an asset management group, the Trust Advisory Group, but will not recommend any of its products to its clients.

- 3. Do you or a related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, what is the extent of these payments in relation to your other income (revenue)?**

Callan receives payments from 200+ money managers in exchange for the consulting services we provide to them. Callan does not receive payments from managers for recommending them to fund sponsors.

Callan's manager client list is available to fund sponsor prospects upon request and is provided to fund sponsor clients routinely and more often upon request. Many of these money managers are recommended, considered for recommendation, or otherwise mentioned to a plan for consideration during the normal course of consulting to a plan, in the context of manager searches and performance measurement.

As a very strictly followed policy, Callan does not consider in any way an investment manager's business relationships with Callan, or lack thereof, in performing evaluations for or making recommendations to its clients.

Callan's approximate percentage revenue breakdown is as follows:

Fund Sponsor Clients	60%
Investment Manager Clients	25%
Other Consultants and Financial Intermediaries	15%

Below is a snapshot of average 2006 Callan revenues from the top 10% of our fund sponsor and money manager clients, as well as the median 2006 revenues for those clients.

	Revenues per Client	
	<u>Fund Sponsor</u>	<u>Money Manager</u>
Top 10% Average Billings	\$351,902	\$163,199
Median Billing	\$60,000	\$48,500

4. Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being considered when you provide advice to your clients?

Yes. Attachment 3 provides a list of the policies and procedures in place for over a decade to address conflicts of interest. These policies and procedures prevent any payments from, or relationships with, managers from being considered when we provide advice to our fund sponsor clients. Callan's Code of Ethical Responsibility, referenced in Attachment 3, is provided as Attachment 4.

Callan's Form ADV Part II also outlines the aforementioned policies and practices.

5. If you allow plans to pay your consulting fees using the plan's brokerage commissions, do you monitor the amount of commissions paid and alert plans when consulting fees have been paid in full? If not, how can a plan make sure it does not over-pay its consulting fees?

Callan's client fees are billed and paid in hard dollars. We do not offer brokerage services so clients are not able to pay our fees using this mechanism.

6. If you allow plans to pay your consulting fees using the plan's brokerage commissions, what steps do you take to ensure that the plan receives best execution for its securities trades?

Callan does not offer brokerage services.

7. Do you have any arrangement with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?

No.

8. If you are hired, will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the plan while providing the consulting services we are seeking?

Yes.

9. Does Callan consider itself a fiduciary under ERISA with respect to the recommendations we provide the plan?

Yes.

10. What percentage of your plan clients utilize money managers, investment funds, brokerage services or other service providers from whom you receive fees?

The majority, if not all, of Callan's fund sponsor clients use Callan's money manager clients. This stands to reason given the vast number, size and market breadth of both our fund sponsor and money manager client bases.

Callan is one of the largest investment consulting firms servicing fund sponsors, financial intermediaries and investment managers. Generally, our 200+ money manager clients tend to be larger, multi-product organizations that manage the majority of the institutional assets in the industry. In total, as of year-end 2006, our manager clients managed approximately 84% of total U.S. industry assets as reported by *Pensions & Investments*.

Furthermore, Callan's research reveals that this percentage is indicative of fund sponsor search activity and manager utilization industry-wide (Attachments 5 through 7). In other words, it is highly likely that the client base of any other consultant in the industry would also use at least one money manager that is a Callan client.