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DEFERRED COMPENSATION PLAN BOARD REPORT 06-16



Date: April 6, 2006

To: Board of Deferred Compensation Administration

From: Staff

Subject: Investment Manager Search – Core Bond/Mid-Cap

Recommendation:

That the Board of Deferred Compensation Administration provide direction to staff with respect to proceeding with selection of providers for Core Bond/Core Mid-Cap funds for the Deferred Compensation Plan.

Discussion:

Attached are the results of the Investment Manager Search performed by the Board's consultant, Mercer Investment Consulting, for a Core Bond and Core Mid-Cap Fund. Marina Batliwalla, Principal Consultant with Mercer, will be present at the meeting to review these results with the Board.

As Board members are aware, a Request for Proposal (RFP) was issued for these investment categories in 2005. Due to the limited number of responses and a concern that it could not be confident of its ability to make a best-of-class selection, the Board asked Mercer to conduct a separate investment manager search to identify superior potential providers. The attached report represents the results of that search.

At this stage, pending further guidance from the Board, neither staff nor Mercer are prepared to make a specific recommendation in either category. Mercer has indicated that any of the firms which scored well in its screening process could potentially be acceptable investment providers for the Plan. What is at issue at this point is how best to proceed to make a final selection. Several options exist.

In prior fund manager searches, the Board has conducted interviews with finalists prior to rendering a decision. That is certainly an option in this case, although given the policy decision made by the Board to not utilize finalist interviews as part of its Request for Proposal for Plan Administration, it may not be the preferred approach.

Alternatively, the Board could request that staff and the consultant make a specific recommendation based on whatever guidance comes from the Board at the meeting. A

third option is for the Board to refer the matter to the Investments Committee for further study and recommendation. Finally, the Board may feel comfortable taking immediate action based on the information presented by Mercer and the discussion at the Board meeting.

The Mercer report and Ms. Batliwalla will discuss some potential factors that might help to focus a selection decision. Following that discussion, staff recommends that the Board provide further guidance as to how it wishes to proceed towards a selection decision.

Submitted by: _____
Steven Montagna

Approved by: _____
Maryanne Keehn