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DEFERRED COMPENSATION PLAN BOARD REPORT 07-47



Date: December 5, 2007

To: Board of Deferred Compensation Administration

From: Staff

Subject: Fidelity Magellan Fund

Recommendation:

That the Board of Deferred Compensation Administration receive and file the following information regarding a participant communication/presentation concerning the Fidelity Magellan Fund.

Discussion:

Staff has received correspondence to the Board from a participant, and a request to present that information, at the Board's December meeting. The participant has expressed concerns regarding the Board's decision to remove the Fidelity Magellan Fund from the Plan's investment lineup. Staff encourages participants to voice their opinions regarding the Plan and participate in Board meetings.

By way of background, the decision to remove the Magellan Fund was based on factors including, but not limited to, the Fund's under-performance over three- and five-year periods. The Board has an investment policy which requires that the Board take action with under-performing funds. The Board, working with its investment consultant, followed this policy in taking its action.

However, of additional substantial importance is the fact that eliminating the Fund supports a key objective of the Board to streamline and eliminate redundancy in the Plan's investment menu to encourage better Plan participant asset allocation decisions and reduce investment management costs. The Plan presently has seven large-cap funds in its "core" investment menu, and 23 options in the overall menu. Based on an abundance of professional research in this field, the Plan's current number of options is at a level which likely encourages participants to make poorer asset allocation than they would if the Plan had a smaller core menu.

As a result, the Board has begun taking steps to streamline the core menu where redundancy exists, and that redundancy is at its most extreme in the large-cap arena. The prime candidates for elimination are funds which have been long-term underperformers, as is the case with Magellan.

Any fund elimination will be experienced as disruptive to at least some participants in the fund, and this case is clearly no exception. Although staff is certainly sympathetic to the concerns expressed by participants in this instance, staff continues to support the action of the Board as being the appropriate fiduciary decision as well in the best interests of participants as a whole.

Submitted by: _____
Steven Montagna

Approved by: _____
Maryanne Keehn