

# Deferred Compensation Plan INVESTMENTS COMMITTEE REPORT 14-05

Date: October 9, 2014  
To: Investments Committee  
From: Staff  
Subject: Investment Manager Search Finalist Reviews:  
Mid-Cap Growth and Mid-Cap Value

Board of Deferred  
Compensation Administration  
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## Recommendation:

That the Investments Committee review additional information in consideration of the finalist funds for the Mid-Cap Growth and Mid-Cap Value mutual fund searches and select a provider in each category to recommend to the Board for formal selection.

## Background:

At its September 29, 2014 meeting, the Investments Committee reviewed the initial search conducted by the Plan's investment consultant, Mercer Investments Consulting ("Mercer"), for viable funds in the Mid-Cap Growth and Value categories. Upon review, the Committee asked Mercer to report back with additional information on the funds identified as finalists in each category.

Mercer has provided a detailed analysis of the finalist funds, which is attached to this report. At the Committee meeting, Mercer will walk the Committee members through the additional information for the purpose of finalizing a fund selection to the Board.

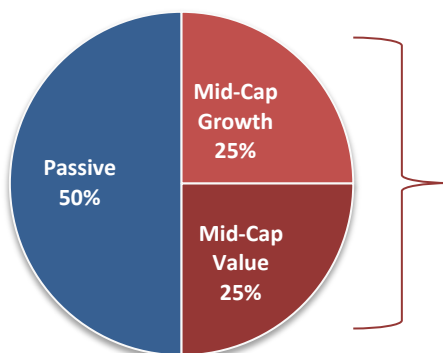
## Discussion:

The Plan currently offers one mid-cap investment fund option within its core investment menu, the DCP Mid-Cap Stock Fund. The underlying fund is the Vanguard Mid-Cap Index Fund – Institutional Plus Shares. As indicated in the investment option profile included within the Plan's Investment Policy, the DCP Mid-Cap Stock Fund will move towards an allocation that is 50% passive, 25% growth, and 25% value:

### DCP MID-CAP FUND

Vanguard Mid-Cap Index Fund  
Institutional Plus Shares

*\* Incumbent provider, however passive fund searches are anticipated to conclude in spring 2015. Fund and provider may change at that time.*



*\* Subject to Committee's recommendation and Board approval.*

Following is a basic overview of the finalist mid-cap active funds in consideration.

**MID-CAP GROWTH**

The Mid-Cap Growth category will make up 25% of the underlying allocation for the DCP Mid-Cap Fund. The estimated mandate size is \$68 million.

Of 14 funds reviewed, the following firms manage funds identified as finalists for additional review:

1. Vanguard - *subadvised by Chartwell and William Blair*
2. MassMutual (Massachusetts Mutual Life Insurance Co.) - *subadvised by T. Rowe Price and Frontier Capital*
3. Voya Investment Management Co. (formerly ING)

**MID-CAP VALUE**

The Mid-Cap Value category will make up 25% of the underlying allocation for the DCP Mid-Cap Fund. The estimated mandate size is \$68 million.

Of 13 mid-cap value fund providers reviewed by the Committee, the following firms manage funds that were identified as finalists:

1. Ceredex Value Advisors (Ridgeworth)
2. Vanguard - *subadvised by Barrow, Hanley, Pzena, and Donald Smith*

Upon the Committee’s review of the finalist funds, staff recommends the Committee select one provider for each category to recommend to the Board for formal selection at its regular meeting on November 18, 2014.

Submitted by: \_\_\_\_\_  
Esther Chang

Approved by: \_\_\_\_\_  
Steven Montagna