

Contact: Patrice Sayre

FUND MANAGER ISSUES

Action Requested: Recommend that the Board approve the addition of Short-Term Fixed Income investments.

Executive Summary: Short-Term Fixed Income investments are appropriate for near-term obligations including those situations where assets must match a short-term investment horizon. The funds require pre-approval by the Board. The allocations among operating investment strategies and fund managers are to be determined by each institution based on investment horizon and expected risk and returns.

A review of fund managers was held on January 18, 2012, via conference call under the leadership of Chair Jack Evans. Institutional staff and Board Office staff participated in the review which was facilitated by Wilshire Consulting.

Wilshire provided analysis of nine firms offering Short-Term Bond Funds. Of these candidates, four firms are recommended for approval. These investment managers were evaluated and selected based on a number of qualitative and quantitative factors. For each firm, Wilshire provided research reports covering key areas of their investment manager research process, including:

- ▶ Organization
- ▶ Information
- ▶ Forecasting
- ▶ Implementation
- ▶ Performance / Attribution
- ▶ Fees (appropriate for asset style and investment strategy)

The roster of funds for approval may be found on the following page.

Short-Term Diversified Funds

Firm	Fund	Mutual Fund / Commingled Fund	Expense Ratio / Management Fee (bps)	Account Minimum (\$)	Ticker
Dimensional Fund Advisors (DFA)	1 Year Fixed Income Fund	Mutual Fund	18	\$2,000,000	DFIHX
Dimensional Fund Advisors (DFA)	2 Year Global Fixed Income Fund	Mutual Fund	18	\$2,000,000	DFGFX
PIMCO	Low Duration Fund II	Mutual Fund	50	\$5,000,000	PLDTX
State Street Global Advisors (SSGA)	1-3 Year U.S. Govt/Credit Index Fund	Commingled Fund	6 bps on first \$50 mm; 5 bps on next \$50 mm; 4 bps on balance ²	\$1,000,000	--
Vanguard Group Inc.	Short-Term Investment Grade Fund	Mutual Fund	7	\$50,000,000	VFSIX ¹

¹Vanguard offers an Admiral share class with a minimum investment of \$100,000 for 11 bps.

²SSGA has a minimum annual fee of \$10,000.

Short-Term Government Funds

Firm	Fund	Mutual Fund / Commingled Fund	Expense Ratio / Management Fee (bps)	Account Minimum (\$)	Ticker
Dimensional Fund Advisors (DFA)	Short-Term Govt. Fund	Mutual Fund	23	\$2,000,000	DFFGX
State Street Global Advisors (SSGA)	1-3 Year U.S. Agency Index Fund	Commingled Fund	6 bps on first \$50 mm; 5 bps on next \$50 mm; 4 bps on balance ¹	\$1,000,000	--
Vanguard Group Inc.	Short-Term Federal Fund	Mutual Fund	10	\$100,000	VSGDX

¹SSGA has a minimum annual fee of \$10,000.

Short-Term Treasury Funds

Firm	Fund	Mutual Fund / Commingled Fund	Expense Ratio / Management Fee (bps)	Account Minimum (\$)	Ticker
State Street Global Advisors (SSGA)	1-3 Year U.S. Treasury Index Fund	Commingled Fund	6 bps on first \$50 mm; 5 bps on next \$50 mm; 4 bps on balance ²	\$1,000,000	--
Vanguard Group Inc.	Short-Term Treasury Fund	Mutual Fund	10	\$100,000	VFIRX

²SSGA has a minimum annual fee of \$10,000.