

Contact: Pam Elliott Cain

SELECTION OF FUND MANAGERS

Action Requested: Consider recommending to the Board approval of the selection of three new fund managers (for high yield bonds, private equity, and real estate) as recommended by the selection committee.

Executive Summary:

At its September 2005 meeting, the Board received an extensive review and evaluation of its investment policy. The Board authorized changes that provided for additional asset classes and investment instruments and included specific definitions, uses, and guidelines for those instruments.

Wilshire Associates identified and provided evaluation summaries for a small group of qualified managers in each investment category (high yield bonds, private equity, and real estate). Wilshire delineated search specifications for each type of fund manager, provided rankings based on Wilshire scoring based on organization, investment philosophy, resources, and performance. Performance expectations of at least 1% above the benchmark, on an average annualized basis.

- Wilshire's manager selection process:
 - Uses extensive technology and both qualitative and quantitative measures to identify managers who will successfully execute the fund's investment structure.
 - Incorporates ongoing research as well as focused analysis. Wilshire maintains comprehensive databases on managers in all asset classes and has staff dedicated to researching investment managers.
- Careful monitoring of managers by Wilshire at all times is essential to having reliable information to help locate suitable managers.
- Wilshire consultants have experience in meeting new managers and viewing first hand manager relationships with Wilshire's existing clients.
- Wilshire also calculates and audits performance for client accounts on over 900 managers.

Institutional officials and Board Office staff worked with representatives from Wilshire Associates, the Board's investment advisor, to narrow the selection of candidates for interview by the selection subcommittee.

A subcommittee of the Investment Committee, along with representatives from the universities and Board Office, will be interviewing fund manager candidates for high yield bonds, private equity, and real estate on October 26. The recommended selections for new fund managers will be provided orally to the Investment Committee at the November meeting.

Fund Manager Candidates to be Interviewed

High Yield Bond

- ♦ Loomis Sayles
- ♦ Post Advisory

Real Estate

- ♦ Prudential
- ♦ Morgan Stanley
- ♦ Principal Group

Private Equity

- ♦ JP Morgan
- ♦ Invesco
- ♦ Lehman