

AGENDA ITEM 10.

SELECTION OF *COLLEGE ILLINOIS!* INVESTMENT MANAGERS

Submitted for: Action

Summary: A recommendation is being made for the selection of two investment managers for the *College Illinois!* program. These managers are being recommended to replace Osprey Partners, the previous large capitalization value equity manager for the program. In accordance with procurement guidelines, a Request for Proposals (RFP) was issued to retain an investment manager for this mandate.

The RFP was published on the Internet and numerous investment managers nationwide were notified that the program was seeking investment management services. Marquette Associates, the investment consultant for *College Illinois!*, provided assistance with development of the RFP and the notification of potential respondents. These efforts resulted in 18 firms responding to the program's request for a large capitalization value equity manager.

In compliance with the state's procurement process, the criteria by which proposals would be evaluated were determined, as well as a specific procedure to be followed in the evaluation process, in consultation with Marquette Associates and ISAC's legal counsel. Marquette Associates performed an initial analysis of each proposal received and compiled a summary report ranking all of the firms that responded to the RFP. In the report, firms were also categorized and ranked within sub-groups, according to their particular styles of large cap value investing: relative value, core value, intrinsic value and deep value. This report was submitted for consideration by the Evaluation Committee consisting of five senior ISAC staff, Commissioner Gretchen Winter and Investment Advisory Panel Member Edward Madden.

The Evaluation Committee met with a representative of Marquette Associates on December 9th and agreed to invite six manager candidates for oral presentations to the committee. Those presentations took place on December 16th in the ISAC Deerfield offices. During the evaluation process, a discussion occurred about the merits of splitting assets equally between two managers for the large capitalization value portfolio because of the number of qualified respondents, the variety of investment styles represented and the significant size of the mandate. The Evaluation Committee ranked the firms and requested that staff follow up with reference checks and a review of financial statements. On the basis of all steps taken in the process, a recommendation is being presented to the Commission to retain Merrill Lynch Investment Managers, headquartered in New Jersey, and LSV Asset Management of Chicago as new investment managers for *College Illinois!*.

A representative from each recommended firm has been invited to attend the Commission meeting.

Action requested: That the Commission approve the following resolution:

“BE IT RESOLVED that the Commission authorizes the Executive Director to negotiate and enter into a contractual agreement with Merrill Lynch Investment Managers and LSV Asset Management to serve as the investment managers for the large capitalization value equity portfolio for the *College Illinois!* program.”