

AGENDA ITEM 12.

SELECTION OF *COLLEGE ILLINOIS!* INVESTMENT MANAGER

Submitted for: Action

Summary: A recommendation is being made for the selection of State Street Global Advisors (SSgA) as a large capitalization equity manager for the *College Illinois!* prepaid tuition program. Commission action is being requested because of recent personnel changes at Merrill Lynch Investment Managers.

The Commission very recently, at its January 2004 meeting, approved Merrill Lynch Investment Managers as one of the program's large cap value equity managers. *College Illinois!* staff subsequently completed all contractual requirements with Merrill Lynch and initial funding for the mandate was transferred to the Merrill Lynch team in mid-February. On March 10, 2004, all four portfolio managers of the Merrill Lynch large cap value equity team resigned from the firm. Consequently, Merrill Lynch will no longer be able to provide *College Illinois!* with the same services, performance expectations, and professional team that were presented to ISAC's Evaluation Committee in December 2003. The Statement of Investment Policy for *College Illinois!*, adopted by the Commission specifies that "Investment managers may be terminated whenever in the opinion of the Commission they have experienced the loss of key personnel." Consequently, the Commission is being asked to approve SSgA as an investment manager for *College Illinois!*. If the recommendation is acted on favorably, ISAC's contract with Merrill Lynch will be terminated.

SSgA is being recommended for selection based upon their response to the Request for Proposals (RFP) and the interview and evaluation conducted in accordance with the State's procurement laws in December 2003. SSgA was one of six finalists interviewed by the agency's Evaluation Committee, comprised of five senior ISAC staff, Commissioner Gretchen Winter and Investment Advisory Panel Member Edward Madden. The firm was rated very highly by the program's Investment Consultant, Marquette Associates, and the Evaluation Committee. In addition, SSgA already serves as passive manager of the program's S&P 500 index fund and has often performed other investment services upon request during times of transition between other program investment managers. Under these circumstances, and consistent with state procurement law and the program's investment policy, the Commission is being asked to approve a change in investment manager for this portion of the *College Illinois!* Prepaid Tuition Trust Fund.

Action requested: That the Commission approve the following resolution:

"BE IT RESOLVED that, subsequent to the dismissal of Merrill Lynch Investment Managers as an investment manager for the *College Illinois!* program, the Commission authorizes the Executive Director to negotiate and enter into a contractual agreement with State Street Global Advisors to serve as an investment manager for the large capitalization value equity portfolio for the *College Illinois!* program."