

The Regents of the University of California

**COMMITTEE ON INVESTMENTS  
INVESTMENT ADVISORY GROUP**

September 17, 2008

Closed Session

The Committee on Investments and the Investment Advisory Group met jointly on the above date at the Student Center, Irvine Campus.

Members present: Representing the Committee on Investments: Regents Blum, De La Peña, Pattiz, Schilling, Wachter, and Yudof; Advisory members Nunn Gorman and Powell  
Representing the Investment Advisory Group: Member Martin and Consultant Gilman

In attendance: Regents Scorza and Shewmake, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Executive Vice Presidents Darling and Lapp, Managing Directors Phillips and Wedding, Mr. Thomas Richards, Mr. Terry Dennison, and Recording Secretary Johns

The meeting convened at 4:20 p.m. with Committee Chair Wachter presiding.

**1. APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the Closed Session meeting of March 19, 2008 were approved.

**2. APPOINTMENT OF REGENTS' GENERAL INVESTMENT CONSULTANT**

The Chief Investment Officer recommended that the Regents appoint Mercer Investment Consulting, Inc. to serve as the Regents' Generalist Investment Consultant in connection with ongoing review of the University of California's Investment Program. The contract will have a term of three years.

[Background material was mailed to the Committee in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Chief Investment Officer Berggren introduced Mr. Thomas Richards of Richards & Tierney and Mr. Terry Dennison of Mercer Investment Consulting.

Mr. Dennison explained that he is a certified public accountant and has worked in investments for 36 years. He has worked with Mercer for 20 years. He is currently U.S. Director of Consulting with Mercer Investment Consulting.

Mr. Richards stated that it has been an honor and a privilege to have served as the Regents' general investment consultant for the last four years. He expressed his deep respect for Ms. Berggren and her department and for Investment Advisory Group member Mr. Charles Martin. He then explained his firm's decision not to reapply as consultant.

Mr. Richards recalled that there were significant events in his firm last year. Nuveen Investments, based in Chicago, was interested in the acquisition of Richards & Tierney. Nuveen hired as its president Mr. Mark Anson, who has significant pension fund experience. Nuveen was then acquired by a private equity firm, Madison Dearborn Partners. The University has a limited partnership interest in Madison Dearborn, and Nuveen is already affiliated with the University as an investment manager. Given the issues these relationships raise for the Regents as well as for the firm, Richards & Tierney felt it was in their best interest not to reapply as consultant. Mr. Richards opined that Mr. Dennison is an excellent choice and anticipated a smooth transition.

Ms. Berggren expressed a strong recommendation for Mr. Dennison as the Regents' investment consultant. She stressed that Mercer has broad capabilities across all asset classes. Mercer was chosen from among eight candidates. The University performed significant due diligence on three of these candidates.

Mr. Martin asked if there was any conflict potential. Ms. Berggren responded that this issue was considered carefully at the Chair's request. Mercer acted as a consultant on one small piece of the University's annual incentive plan. The annual incentive plan work will be moved to another office of Mercer Investment Consulting to ensure that Mr. Dennison is free from potential conflict. She emphasized that this was the only relevant issue.

Committee Chair Wachter expressed confidence in Mercer's conflict protections. He emphasized that the University needs an investment consultant in place now.

Mr. Martin stated that he is satisfied and endorses the appointment. For future engagements, these issues should be considered too.

Committee Chair Wachter stated that the proposed conflict protections are real. Mr. Martin stated that the public may not always believe that such protections are real or effective, so due diligence is important. Ms. Berggren indicated that the situation will be subject to ongoing monitoring and reports to the Committee.

Upon motion duly made and seconded, the Committee approved the Chief Investment Officer's recommendation and voted to present it to the Board.

The meeting adjourned at 4:25 p.m.

Attest:

Secretary and Chief of Staff

Pending Approval