

Office of the Treasurer

**TO THE MEMBERS OF THE COMMITTEE ON INVESTMENTS /
INVESTMENT ADVISORY COMMITTEE:**

ACTION ITEM

For Meeting of May 16, 2007

**APPROVE FY 2007-2008 ANNUAL INCENTIVE PLAN (AIP) PERFORMANCE
OBJECTIVES**

The President and Mercer Investment Consulting recommend that the Committee on Investments recommend to The Regents that the incentive program asset class investment performance objectives be modified as indicated in the **Attachment**.

BACKGROUND

As the portfolios evolve in composition and complexity, it is necessary to add or modify some of the performance objectives (target performance over the benchmark) previously established by The Regents. Mercer's investment advisory practice has been involved in the development of this plan since inception in 2002 and has periodically approved any modifications.

The performance objective for the "UC Entity," i.e., the aggregate performance of all assets managed by the Treasurer, will be modified slightly to recognize the change in asset allocation, change in the relative size of the various funds in the entity, and the increase in actively managed assets since last year. The process and rationale for this change is consistent with changes in previous plan years, and has been approved by Mercer Investment Consulting.

In accordance with the Plan document, the Treasurer is also presenting a **list of eligible participants**, and the mix and weighting of performance components for each position, for FY 2007-08.

[Note: changes are highlighted, and the previous FY 2006-07 objectives are also attached for reference.]

(Attachments; **One** **Two**)