

3**Questionnaire****History and Ownership**

- a. List your firm's complete name, address, telephone and fax numbers. Include the name and title of your proposed primary consultant and the location from which the consulting work will be done.

Mercer Investment Consulting, Inc.
777 South Figueroa Street
Suite 1900
Los Angeles, CA 90017

Contact Name: Devon Muir¹
Title: Principal
Location: Los Angeles
Phone: (213) 346-2465
Fax: (213) 346-2400

- b. Provide a brief history of your firm and your parent organization.

Mercer is a global provider of investment consulting services, and offers customized guidance at each stage of the investment decision, risk management, and investment monitoring process. We have been dedicated to meeting clients' needs for more than 30 years, and work with the fiduciaries of retirement plans, foundations, endowments and other investors in more than 35 countries.

Our parent company started in the United States in 1937 as the Employee Benefits Department of Marsh & McLennan, Inc. and took the name of "William M. Mercer" in 1959, when Marsh & McLennan acquired William M. Mercer Limited, a Canadian firm founded in 1945.

William M. Mercer Investment Consulting, Inc. was created as a separate entity in the United States in 1972 to provide investment advisory services. In 1975, Mercer became a wholly owned subsidiary of Marsh & McLennan Companies, Inc.

¹ Mercer is proposing a strategic investment consulting team to serve the Trustee Board. For purposes of this response, Devon Muir will serve as the contact for this team.

In 2007, our parent company changed its corporate name to Mercer Human Resource Consulting, Inc., and in turn we rebranded ourselves as Mercer Investment Consulting, Inc. On September 12, 2007, our parent company changed its name to Mercer (US) Inc.

- c. **Within the past three years, have there been any significant developments in your organization, such as changes in ownership, restructuring, or personnel reorganizations? Do you anticipate future significant changes in your organization? If yes, please describe.**

Over the last three years, Mercer's investment consulting business has continued to make significant investments to grow staff, thereby enhancing our service delivery to clients. Today over 800 professionals make up Mercer Investment Consulting, Inc., up from approximately 500 in the last several years.

In late 2004, Mercer conducted a formal review of its overall business model in the US. In keeping with the increased desire on the part of institutional investors to avoid any perception of potential conflicts, Mercer decided to return to a consulting-only business model. To this end, we discontinued the Global Investment Forum, a global research institute, in November 2004. We also closed Mercer Transition and Recapture Services in December 2004, and we discontinued software and database sales to investment managers in the United States.

In May 2007, Mercer announced several leadership changes. We undertook this reorganization to broaden the US leadership group and take advantage of the professional bench strength we have within the group. Jeff Schutes and Terry Dennison were appointed to key leadership positions for Mercer's investment consulting business in the US. Mr. Schutes was named US business leader and maintains management responsibility for most US-specific investment consulting initiatives. Mr. Dennison was named US director of consulting and coordinates the development and dissemination of Mercer's intellectual capital. We believe that this will better position Mercer for continued strong growth.

On August 3, 2007, our parent company, Marsh & McLennan Companies, Inc. (MMC) completed the sale of Putnam Investments to Great-West Lifeco Inc., a financial services holding company controlled by Canada-based Power Financial Corporation.

In May 2008, Tim Gardener, who has led Mercer's investment consulting business for more than 10 years, decided to step back from his day-to-day management responsibilities and assume a new and important role as global chief investment strategist at Mercer. Tim will act as a senior advisor to clients and focus on high-level strategic issues. He is succeeded by Andrew Kirton, who previously led Mercer's European investment consulting business. Rich Nuzum has been appointed the global head of Mercer's investment management business and was previously head of Mercer's investment consulting business for the Americas. Jeff Schutes succeeds Rich as the head of the Americas. Jeff will continue to hold the position of US national business leader. We wish to emphasize that no one has left Mercer as a result of these changes, and our ability to make these changes is a testament to the depth of staff and resources within our organization.

To the best of our knowledge, there are no other planned future changes to our organizational structure.

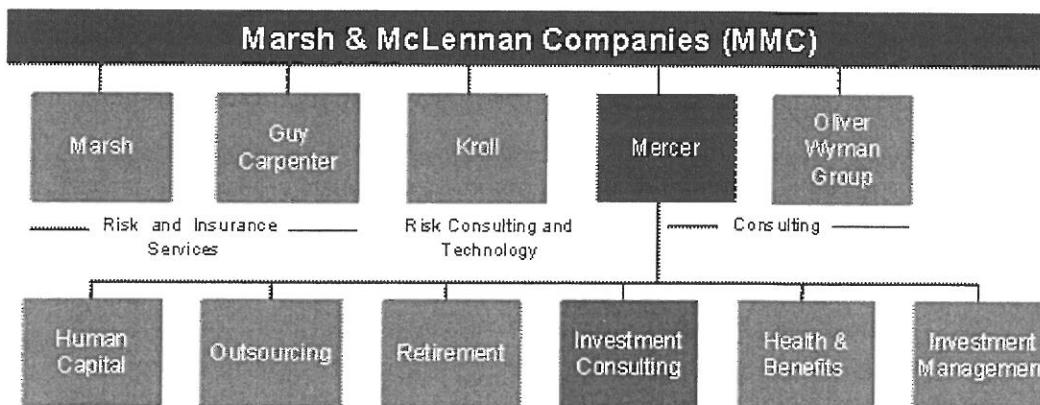
- d. **Describe the ownership structure of your firm, giving specific details with regard to any parent or affiliates.**

Mercer is an operating unit of Marsh & McLennan Companies, Inc. (MMC). In the US, the investment consulting business is operated through Mercer Investment Consulting, Inc., a wholly owned subsidiary of Mercer (US) Inc., a wholly owned subsidiary of MMC.

Mercer is the global leader for trusted HR and related financial advice, products, and services. The company has specialist expertise in all areas of human resource consulting, including compensation, employee benefits, communication, and human capital strategy.

MMC is a global professional services firm with annual revenues of approximately \$11 billion. As of December 31, 2007, approximately 56,000 employees provide analysis, advice, and transactional capabilities to clients in over 100 countries. It is the parent company of Marsh, the world's leading risk and insurance services firm; Guy Carpenter, the world's leading reinsurance intermediary; Kroll, the world's leading risk intelligence company; Mercer, a major global provider of human resources and investment consulting services; and Oliver Wyman, a global provider of specialty consulting services. Its stock (ticker symbol: MMC) is listed on the New York, Chicago, Pacific, and London stock exchanges. MMC's website address is www.mmc.com.

Below is a diagram of MMC's operational structure for the US:



Organization

- a. **Within the last five years, has your firm or any officer or principal been involved in any business litigation or other legal proceedings relating to your consulting activities? If so, provide an explanation and indicate the current status or disposition.**

In the ordinary course of business, Mercer is involved with litigation and other legal proceedings, investigations, and inquiries, some of which are conducted on an industry-wide basis. The outcomes of currently pending litigation, investigations, and inquiries are not expected to have any material adverse effect upon Mercer or its ability to serve its clients.

- b. **Please describe the level of coverage for error and omissions insurance and any fiduciary or professional liability insurance your firm carries. List the insurance carrier(s) supplying the coverage.**

Mercer is covered under a comprehensive insurance program designed by our parent company, MMC. The insurance program provides limits of coverage that meet or exceed usual and customary standards of insurance for similar firms insuring similar risks.

Mercer currently maintains the following insurance coverage:

- Errors and Omissions (E&O) (aka Professional Liability) – The company's professional liability insurance coverage is provided by Epsilon Insurance Company, with liability limits of \$10,000,000 per claim.
- Commercial General Liability – Mercer's commercial general liability coverage has limits of liability of \$2,000,000 combined single limit per occurrence and \$4,000,000 in aggregate. American Home Assurance Company is the primary carrier.
- Automobile Liability – Mercer's automobile liability coverage for owned, hired and non-owned vehicles has limits of liability of \$5,000,000 combined single limit per accident for bodily injury and property damage. American Home Assurance Company is the primary carrier.
- Workers' Compensation and Employers Liability – Mercer maintains workers' compensation coverage as required by state law and employers liability limits of liability of \$2,000,000 per accident.
- Fidelity Bond – Mercer's fidelity bond coverage is provided by Vigilant Insurance Company with liability limits of \$10,000,000 per loss.

- c. **Disclose any on-going business or contractual relationships you have with third party administrators/recordkeepers, investment managers or any other associated companies.**

Mercer is a business unit within MMC, a Fortune 500® company. MMC is a large, diversified financial services company that employs approximately 55,000 employees across more than 100 countries and territories. Mercer's investment consulting business itself serves more than 1,700 clients across more than 40 countries.

As such, certain investment managers that are rated, reviewed, or recommended by Mercer may, in the ordinary course of business, also be clients, or affiliated with clients, of Mercer or its affiliates. Mercer's affiliates outside the US may sell certain software and other services to investment management firms. These relationships have no connection with Mercer's research or recommendations of investment managers to clients.

In the US, Mercer's services to investment managers and their affiliates are limited to traditional investment consulting services, which typically relate to the assets of the pension plan which cover the employees of the investment manager or their affiliates; or the evaluation of subadvisors for mutual funds or separately managed wrap accounts for retail or high-net-worth clients. The proportion of our revenue derived from these activities is small.

Mercer believes it has taken appropriate steps to minimize or eliminate the likelihood that its recommendations of investment managers to clients will be influenced by other business relationships those investment managers or their affiliates may have with Mercer or its affiliates. Among other things, Mercer has taken the following steps to address these potential conflicts:

- Mercer's manager research and selection activities follow a defined process that includes evaluations by its Ratings Review Committees worldwide and the documentation of findings and decisions. At no time during the rating or selection process is the status of a manager or its affiliates as a consulting client of Mercer or a client of its affiliates considered.
- None of Mercer's manager research staff receive any form of compensation that is directly linked to services provided to managers or their affiliates. Compensation is linked to the overall business results of Mercer and its parent company, and, in the case of the Manager Research staff, to the performance of the ratings and recommendations made by Manager Research.
- If software is sold by a Mercer affiliate overseas to a client that has an affiliated investment manager, the client is specifically told that its purchase will not result in any preferential treatment by Mercer in its evaluation or selection of any investment manager.

d. Explain any other potential conflict of interest your firm might have in advising the Trustee Board.

Mercer is a business unit within Marsh & McLennan Companies, Inc. (MMC), a Fortune 500® company. MMC is a large, diversified financial services company, and as such, potential conflicts of interest are inherent in its many businesses. As an overall policy, Mercer monitors its business for potential conflicts of interest and attempts to assess them objectively. Mercer has established a conflict assessment process as follows:

- When a conflict of interest is identified, Mercer assesses the severity of its potential impact under various scenarios, including the potential for the conflict to result in improper behavior by an employee or to create an appearance of impropriety.
- If, after the risk assessment, Mercer is satisfied that the conflict can be managed without hindering the objectivity of the advice we provide to our clients, we establish and enforce management structures and procedures designed to address the conflict in a way that avoids any reasonably foreseeable adverse effect.
- Mercer monitors those operations where conflicts may occur to make certain that our management structures and procedures are being properly enforced, making modifications when appropriate.

The ultimate protection against the inappropriate influence of conflicts of interest is the integrity of our staff and the understanding that, as in any consulting organization, our reputation is our most important asset. This concept has been nurtured and reinforced over the years and is embedded in Mercer's culture.

Mercer provides regular employee training sessions designed to educate our consultants as to the importance of identifying, disclosing and properly managing conflicts of interest. Mercer has a Compliance Manual that details all of our consulting policies and procedures. Strict adherence to both the Compliance Manual and the CFA Institute® Code of Ethics & Standards of Professional Conduct is required of all Mercer staff.

Finally, Mercer issues bills directly to clients and does not accept soft-dollar payments.

Mercer Investment Affiliates

As part of MMC, Mercer is affiliated with an investment business, Mercer Global Investments, a provider of investment management services (an outsourced, manager of managers approach) to institutional clients.

e. Identify the individual(s) who would perform the work. Describe their assigned responsibilities and provide:

- **Name and Title.**
- **Location.**
- **Responsibility.**
- **Number and size of Client Relationships.**
- **Years with the Organization.**
- **Years experience and credentials.**

Mercer is proposing a strategic investment consulting team to serve the Trustee Board. Troy Saharic, Devon Muir, and Susan Dalton, as co-lead consultants, will be the team members overseeing the day-to-day relationship with the Trustee Board. Andrew Ness will serve as a strategic advisor on the relationship. We have used this team structure consistently with clients for more than a decade and have found it to be helpful in facilitating the delivery of value-added investment results and high quality service to these clients.

When expertise is required on certain topics, such as manager search, capital market theory, and strategic asset allocation, this core team will access relevant specialists within our firm. In addition, analysts will support the strategic investment consulting team in developing recommendations and reports, providing ongoing delivery of generalist investment consulting, and performance monitoring.

Brief professional biographies of the team members and a representative sample of public, defined contribution clients this team serves follows.

Troy K Saharic

Troy K. Saharic is a principal in the Seattle office of Mercer and is the West Zone business leader. Troy has over 15 years of investment consulting experience, 14 with Mercer. He specializes in providing investment solutions to large private and public plan sponsors of defined contribution programs and defined benefit plans in Mercer's West Zone.

His investment consulting clients include a number of large and middle-market private and public sector clients with combined assets exceeding \$30 billion as of December 31, 2007.

In addition to his consulting assignments, Troy has addressed various industry groups at conferences and has been quoted in the press (Los Angeles Times and *Plan Sponsor Magazine*) on investment issues for institutional investors. In July 2007, he provided testimony before the Department of Labor's ERISA Advisory Council Working Group on Fiduciary Responsibilities Update and Revenue Sharing on issues related to revenue-sharing practices and fee disclosures in defined contribution plans. Troy is also a member of the National Association of Government Defined Contribution Administrators.

Troy holds a BS in finance from the University of Rhode Island.

Devon Muir, CFA

Devon Muir is a principal in Mercer's Los Angeles office. His responsibilities include advising defined benefit and defined contribution clients in the western United States on investment policy, asset allocation, manager selection, and ongoing performance monitoring.

Prior to joining Mercer this year, Devon worked as a senior managing consultant at Alan Biller and Associates, where he provided investment consulting advice to the firm's clients and was a member of the investment manager due diligence committee. Prior to this role, he was a vice president, investment officer at Insight Capital Research & Management, where he performed equity research and communicated with the firm's clients in the field. Previous to this, he worked at Jeffrey Slocum & Associates, a boutique investment consulting firm, consulting with the firm's corporate and endowment/foundation clients. He has 10 years of consulting experience, 5 in the industry.

Devon holds an MBA from the Carlson School of Management at the University of Minnesota and a BA from the University of California, Santa Barbara. He is also a CFA charterholder.

Susan Dalton

Susan Dalton is a principal and senior investment consultant in Mercer's Los Angeles office. Susan is currently responsible for managing and developing institutional client relationships, including endowments and foundations and defined benefit and defined contribution clients in the West Zone of Mercer's investment consulting business.

Susan has over 20 years of experience in the financial services industry, serving institutional clients and investors. Prior to joining Mercer, she held senior positions at Mutual of America Capital Management and at Mellon Financial Corporation, where her primary responsibilities included managing institutional client relationships. Susan has an extensive background in asset management, trust/custody, employee benefit, cash management, derivatives and corporate funding.

Susan earned her MBA from the Kellogg Graduate School of Management, Northwestern University with a major in finance and management policy. She also has a BBA in accounting magna cum laude from the University of Notre Dame and is a Certified Public Accountant.

Andrew Ness

Andrew Ness is a principal and senior investment consultant in Mercer's Richmond office. He is part of Mercer's Public Sector and Non-Profit Defined Contribution business group. Andrew provides consulting, technical reviews, vendor selection, management reports and implementation services to public sector defined contribution plan clients, as well as technical assistance to other consultants.

Andrew has 11 years' experience working with public sector defined contribution plans, and has worked for Mercer since 2002. Recent projects include searches for an administrative provider for one of the country's largest state sponsored IRC Section 457 plans, as well as providing plan reviews for City and County defined contribution plans. Andrew is an active member of the National Association of Governmental Defined Contribution Administrators and was a panel speaker at the 2008 annual conference on the topic "Revenue, Expenses, and Disclosure." Andrew provides retainer services for several large 457 clients. He also regularly performs projects for other public sector plans as needed.

Andrew holds a BA in economics from the University of Richmond. He is pursuing the designations of Certified Retirement Counselor and Certified Retirement Administrator from the International Foundation for Retirement Education.

Client	Assets as of 9/30/2008 (\$ Millions)
California Savings Plus	\$ 6,383
State of Hawaii Deferred Compensation Plan	\$ 1,421
State of New Mexico Deferred Compensation Plan	\$ 302
County of Orange Defined Contribution Plan	\$ 663
City of Los Angeles	\$ 2,586
Port of Seattle Deferred Compensation Plan	\$ 102
California Savings Plus	\$ 6,383
State of Hawaii Deferred Compensation Plan	\$ 1,421

It is not known whether the listed clients approve or disapprove of the investment advisory services provided by Mercer Investment Consulting.

f. Provide the following information pertaining to your current clients:

Portfolio Size (\$mm)	Category	Public Sector	Other Tax-Exempt	Other	Total
\$0-\$49	# of Clients	4	31	1	36
	Total \$ Amount	\$66 million	\$781 million	\$76 thousand	\$847 million
\$50-\$99	# of Clients	4	35	1	40
	Total \$ Amount	\$309 million	\$2.5 billion	\$73 million	\$2.88 billion
\$100-\$250	# of Clients	5	70	1	76
	Total \$ Amount	\$1 billion	\$11.5 billion	\$199 million	\$12.7 billion
Over \$250	# of Clients	34	128	6	168
	Total \$ Amount	\$582 billion	\$185 billion	\$24 billion	\$791 billion
Total	# of Clients	47	264	9	320
	Total \$ Amount	\$583 billion	\$199.78 billion	\$24.3 billion	\$807 billion

City of San Diego DC Plans' Investment Discussion

Provide a sample quarterly report for the 2nd quarter 2008 using our current funds. Include a market review, fund performance evaluation, fund manager issues, fund parent company issues and any other known factors that could potentially impact fund performance. Make any suggestions for a watch list. Also include other related information that would be included in your standard quarterly report.

It is our understanding, based on the City of San Diego's November 17, 2008 correspondence to respondents of this RFP, that a representative sample report is acceptable to address this requirement. Accordingly, we have included a sample quarterly report in the **Appendix**. Since this report does not cover all the funds in the Plans, we include below some suggestions of key investment option issues that we would wish to explore with the Trustee Board.

- **Managed Income Fund (Stable Value)** – This investment option comprises three components: an investment in a synthetic bond portfolio managed by RiverSource and backed by nine wrap providers; an investment in the RiverSource Trust Stable Capital Fund (commingled stable value fund); and an investment in the RiverSource US Gov't. Securities Fund. While the portfolio appears to be well diversified, Mercer would want to explore the following with the City of San Diego:
 - Structure of the Wrap Provider Agreements – Understanding as to whether the wrap arrangements have "global" participation features that would provide coverage from the remaining wrap providers in the event that one or more of the wrap providers failed.
 - Quality of the Wrap Providers – Some of the wrap providers currently used have been downgraded or eliminated by other stable value managers because of quality concerns and/or commitment by the organizations to remain in the wrap business.
 - RiverSource Investments – Mercer has higher regard for other stable value managers that have stronger fixed income management capabilities, greater scale, and presence in the stable value business and those that promote better diversification of the underlying fixed income investments.
- **Core Fixed Income Option** – Bond funds are commonly used within defined contribution plans. Although there was negative experience with the MSIF Trust Core Fixed Income Fund, we would like to discuss adding a core bond option (active and/or passive) to the lineup to provide a more diversified array of investment options across the risk spectrum for participants.
- **Oakmark Equity and Income Fund (Class I)** – Performance has been strong. Mercer has high regard for the Harris team and the management of the strategy.
- **Vanguard LifeStrategy Funds** – As firm philosophy, we prefer target maturity lifecycle funds over target risk lifecycle funds, and would like to explore this with you in detail.
- **T. Rowe Price Real Estate Fund** – We rate other real estate securities strategies higher that have superior dedicated real estate resources and have better trailing performance. In addition, we would want to explore whether a more diversified global strategy would be a better fit for the Plans.
- **Davis New York Venture Fund (Class A)** – Davis's style will vacillate between core and value, with always a significant allocation to financial stocks. While we have confidence in the team, we would want to understand its role within the lineup.

- **Wachovia Equity Index Fund** – Mercer has higher confidence in other index fund providers that have better passive management capabilities and presumably lower fees.
- **Vanguard Growth Index Fund (Institutional Shares)** – Vanguard has strong passive management capabilities and low fees.
- **Riversource Mid Cap Value Fund (Class Y)** – Mercer has a favorable rating of this contrarian team, and performance has been good over the long term.
- **Goldman Sachs Growth Opportunities Fund (Institutional Shares)** – Performance of the strategy has been good, and we have confidence in the Tampa-based team. There are a significant amount of Plan assets in the fund, and we would want to explore other, lower-cost investment vehicles such as a separately managed account that potentially could offer significant fee savings for participants.
- **T. Rowe Price Small-Cap Stock Fund** – Mercer has high regard for the Small Cap Core team and the firm's research platform. A product review of this strategy is provided in the Appendix.
- **Dodge & Cox International Stock Fund** – We have confidence in the strength of the firm, the strategy and the research process. Performance has been favorable over the long term.
- **Janus Overseas Fund** – This strategy has had investment manager turnover in the past, and loss of assets. As a firm, Janus has made business decisions that are not always in the best interest of their investors (for example, the mutual trading scandal and keeping the strategy open to new investment flows to gather fees). Although performance over the last five years has been good, we would want to discuss alternative international growth funds.
- **Tier of Index Funds** – Mercer has witnessed a strong trend among defined contribution clients to add a tier of low-cost index funds to the lineup that would address participants who prefer a purely passive approach. We would want to discuss the merits of adding the following to the lineup:
 - Core Bond Index Fund
 - Non-US Equity Index Fund
 - US Small/Mid Index Fund

References

Provide the name, address and telephone number of three to five clients for whom similar services have been performed by your firm. References should be current and should be relevant to the type of services requested. Include a one line description of services provided with each reference, as well as the team member that provided the service.

Client Name	Contact Information	Services Description	Team Member
County of Orange	Tracy Vonada Human Resources/ Employee Benefits 10 Civic Center Plaza Santa Ana, CA 92701 714 834 2081	Investment consulting Retainer - 457 Plan	Susan Dalton/Troy Saharic
City of Los Angeles	Steven Montagna Employee Benefits/Deferred Compensation 200 N. Spring Street Room 867 Los Angeles, CA 90012 213 485 4846	Investment consulting Retainer - 457 Plan	Susan Dalton
State of Hawaii	Cynthia Akiyoshi DHRD – Employee Assistance Branch Room 1203 235 South Beretania Street Honolulu, HI 96813 808 587 1095	Investment consulting Retainer - 457 Plan	Andrew Ness/Troy Saharic

Fees

Please provide a fee proposal for the services outlined in this RFP

Please state if you are willing to guarantee your fees for a specific period of time and such period.

Service		Proposed Fees
Investment Evaluation and Performance Monitoring Retainer	<ul style="list-style-type: none"> ▪ Initial diagnostic of Plans, reviewing investment objectives, policies, Plan structure, and investment options ▪ Quarterly detailed investment performance review reports, customized to the needs of City of San Diego's Trustee Board, including concise summaries and written observations and recommendations ▪ Quarterly watch-list maintenance ▪ Quarterly review and education of the economic environment ▪ Quarterly reviews of marketplace trends ▪ Ad hoc notices of pertinent investment manager news/activity occurring between reporting periods and Mercer-produced capital market research ▪ Develop investment strategy by reviewing and clarifying the objectives of the Plans and examining current investment features and assessing participant demographics ▪ Strategic annual analysis of the Plans' investment structure ▪ Acknowledgement of co-fiduciary status for advice given ▪ Quarterly review of the Plans' investment option expenses compared to those of the industry and peers ▪ Attendance at quarterly Trustee Board meetings, as necessary 	\$83,000 annually ⁵
Investment Policy Statement Review & Development	<ul style="list-style-type: none"> ▪ Revise current Investment Policy Statement or create new Investment Policy Statement to meet and maintain required standards ▪ Monitor ongoing effectiveness of the policy, suggesting changes and revisions 	Included in retainer
Investment Option Searches	<ul style="list-style-type: none"> ▪ Two investment option searches⁶ 	Included in retainer

⁵ Fees would be guaranteed for the first 2 years. After year 2, fees would increase by an inflation escalator of 4.5% per annum

⁶ Thereafter, there would be a \$10,000 fee per search