

DATE: November 16, 2010

TO: Members, Investment Advisory Council

FROM: Tammy Brusehaver  
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**SUBJECT: Review of Lord Abbett & Co. LLC, a domestic equity manager**

### **Organization**

The SBI hired Lord Abbett & Co. LLC in March 2004 to manage a large cap portfolio. There were two portfolio managers assigned to our account, Ken Fuller and Eli Salzmann. In 2008, Lord Abbett changed to a central research focus, managed by the CIO and research director, rather than having a team of analysts and portfolio managers for each product. This approach has limited the portfolio manager's access to analysts. At the end of 2009, Ken Fuller resigned as a result of the research changes which he felt impacted his ability to manage the portfolio. Lord Abbett did not replace Ken Fuller and Eli Salzmann continued to manage the portfolio.

Lord Abbett notified SBI staff on November 8<sup>th</sup> that the portfolio manager, Eli Salzmann, had resigned. Eli resigned for two primary reasons:

1. Eli did not feel he had adequate access to research resources to manage the portfolio.
2. The change to the research management structure in 2008 resulted in different approaches to manage the portfolio.

From 1997 to 2008, no investment professional left Lord Abbett. Since the changes were made in 2008, several investment professionals have left (SBI was only impacted by Ken Fuller's departure) and now Eli Salzmann has resigned.

### **Assets**

As of September 2010, the firm had \$102 billion in assets under management, of which \$19.9 billion was invested in their large cap value strategy. The SBI's large cap value portfolio was valued at \$280.7 million as of September 30, 2010.

## Performance

<b>Period Ending 9/30/10</b>	<b>Lord Abbett</b>	<b>Russell 1000 Value</b>
One quarter	9.8%	10.1%
1 Year	6.4	8.9
3 Years	-8.4	-9.4
5 Years	0.3	-0.5
Since Inception (4/2004)	2.0	2.4
<b>Calendar Years</b>		
2009	20.5%	19.7%
2008	-36.3	-36.8
2007	4.4	-0.2
2006	18.6	22.2
2005	3.5	7.1

### **RECOMMENDATION:**

**Due to the departure of the SBI's portfolio manager, loss of investment professionals firm wide and concerns with the potential changes with the new portfolio managers, staff recommends that the SBI terminate the relationship with Lord Abbett & Co. LLC investment management services.**