

ILLINOIS STATE BOARD OF INVESTMENT
Responses to Submitted Questions: Master Trust and Custody Services

This document serves as a formal response to the questions submitted through the process established by the Illinois State Board of Investment (“ISBI” or the “Board”). As stated in the Request for Competitive Proposals (“RFP”), questions concerning the RFP had to be submitted in writing via e-mail to the Search Contact by **12:00 PM, CDT, July 6, 2016**. Responses to questions properly submitted are consolidated into a single Q & A document as detailed below and posted on the Board’s website on or about **July 15, 2016**. The Q & A document does not identify the source of the query.

1. Please provide the Global Custody Only Datasheet referenced in Appendix I of the RFP.

Please see the attached.

2. Regarding the requirement “Must prepare monthly analytic reports in formats acceptable to ISBI”, does ISBI anticipate making changes to what is currently being provided?

No changes are currently anticipated.

3. Please provide:

- A. The number of domestic separately managed accounts: **10 equity, 7 fixed income.**
- B. The number of global separately managed accounts: **8 equity.**
- C. The number of accounts holding line items: **18.**
- D. The total number of accounts maintained with your current custodian: **83.**
- E. The number of purchases and sales for a one year period by country of settlement: **Please see attachment A to this document.**
- F. The number of Fed wires both incoming and outgoing: **Incoming: 692, Outgoing: 679**
- G. The number of pay downs processed: **1,410**
- H. The market values of assets by country: **Please see attachment B to this document.**
- I. The number of transactions and value of OTC futures/options: **Please see attachment C to this document.**
- J. The number of transactions and value of Exchange Traded derivatives: **Please see attachment E to this document.**
- K. The number of “bank loan” investments and the number of associated transactions: **ISBI has 4 Bank Loan investments. Buy: 417 Sell 1,912.**
- L. The number of transactions (receive/deliver by country) associated with your third-party lending program or indicate those transactions are included in the transaction question above: **Year to date, there have been 140 transaction for the DTC location, 1382 transactions for the FED location, and 5 transactions for the Hong Kong settle location.**

4. In your current environment are you holding multiple “line item” assets such as PE & RE in accounts or is each line item held in its own dedicated account?

ISBI currently tracks LP-level information through the Private I Burgiss system and not through the custodian.

5. If each asset is held in an individual account would you be interested in holding multiple line items in a single account?

Yes.

6. Do you require any type of plan accounting

Yes.

7. Please provide an account schematic-

ISBI will not provide a schematic.

8. How many LP's are to be tracked for commitment/funding levels, IRRs, etc.?

ISBI currently tracks LP-level information through the Private I Burgiss system and not through the custodian.

9. What systems or software tools are you using to monitor the Limited Partnerships?

Burgiss by Private I.

10. What external service providers do you use for tracking the Private Equity portfolio, e.g., consultants, existing custodian, Burgiss Group, SunGard, iLevel, and what servicing do they provide? If you currently use Burgiss products, which do you use?

Please see questions #7 and 8.

11. Please provide the name of your internal accounting system vendor (for the data feed you request in the RFP)?

Please see questions #22. In addition, our consultant uses Investorforce.

12. Please provide the name of your third-party lending agent.

Deutsche Bank.

13. Notwithstanding the reference to "Master Trust", does the RFP contemplate Trust services or simply Custody Services? If the services are Custody only, must the respondent meet Minimum Qualification No 2 (authorization to conduct trust business in Illinois)?

Trust services are not required at this time. Yes, the Respondent must be authorized to conduct a trust business in the State of Illinois. As stated in the RFP,

Respondents must satisfy each of the following minimum qualifications for this RFP, in order to be given further consideration by ISBI. Failure to satisfy each of the requirements will result in the immediate rejection of the proposal. Failure to provide complete information will result in the rejection of the proposal.

14. Notwithstanding the Minimum Qualification No 1, will ISBI permit/consider proposals of a US domiciled, State-chartered, Federal Reserve member bank meeting the other minimum qualifications?

No, as stated in the RFP, Respondents must satisfy each of the following minimum qualifications for this RFP, in order to be given further consideration by ISBI. Failure to satisfy each of the requirements will result in the immediate rejection of the proposal. Failure to provide complete information will result in the rejection of the proposal.

15. The scope of services section, A. Accounting, #8 asks to make a confirmation that we meet the requirement. How would you like us to do so? Is it expected that the entire scope should be included with the RFP response?

Please answer yes or no.

16. Scope services section A. Accounting, #11 – can you provide more detail surrounding “ISBI’s requirements for reconciliations, pricing, tolerance audits, data quality and variance resolution”? Do you have specific reports you currently review that can be shared? If not, can you supply the file requirements? On a monthly basis each Manager in the ISBI portfolio runs a priced holdings download from the Custodian system. A reconciliation is performed by each Manager for each ISBI portfolio managed by identifying all share discrepancies and any pricing discrepancies over 5% at the security level. Master Custodian prices prevail for all valuations where the Custodian can provide a valid source for verification. The reconciliation is emailed to the Custodian by the 5th calendar day of the month. NAV differences between the Manager and the Custodian will be researched by the Custodian.

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17. Scope services section G. Reporting Requirements, #3. Would you please supply what you receive today so that we can confirm that we can supply in the format that is acceptable to ISBI? ISBI will not supply what we currently receive.

Please provide sample reports that you provide to your current Defined Benefit Plan Customers for review.

18. Appendix I notes: Complete the attached excel datasheet, labeled as “Global Custody Only Datasheet,” and submit as a separate attachment to this RFP. Will that spreadsheet be supplied as it was not on the website? **Please see question #1.**
19. Accounts / Reporting
- Market value of separately managed non-US assets by country- **Please see Attachment A to this document.**
 - Is manager 28 (Bank Loans) separately managed? **Yes.**
 - Total number of bank loans held- **Please see question #3 K.**
 - Total number of positions/holdings held by country?- **Please see question #3 E.**
 - For Real Assets. Hedge Funds, Real Estate and Private Equity managers, please supply the number of passively managed funds by type (mutual funds, commingled funds, limited partnerships, hedge funds, etc.) Please note that we are primarily interested in the total number of fund investments you have and not the number of accounts you hold the fund investments in (if the totals vary). Should we presume that Managers with less than \$500K in assets are in the process of closing? **We do not have any passively managed investments in these categories. No, please do not assume that Managers with less than \$500K are in the process of closing.**
20. Transactions
- Number of US buy/sell trades per annum- **Please see attachment D to this document.**
 - Number of Non-US buy/sell trades by country per annum- **Please see Attachment D to this document.**
 - Number of Income and Dividends received per annum –**Please see question #3J.**
 - Number of wires –**Please see question #3F.**
 - Number of Derivative transactions (Swaps, Options, Futures)- **Please see question #3J.**
 - Number of annual vendor checks- **None, physical checks are not utilized at this time.**
21. Cash Management:
- What is your estimated average daily cash balance held in your current custodians sweep vehicle? **The average value was 290,439,131.60 for the period 6/1/15 through 5/31/16.**
22. Alternative Investments

- A. What level of service do you require? i.e., basic line item reporting, reporting & monitoring, drill down, full outsourcing support, shadow accounting, capital call management, document management, etc.? What is the commitment level, in USD, of your alternatives? **ISBI requires basic line item reporting, capital call management and document management. However, ISBI would be open to reviewing other capabilities for reporting and monitoring, drill down, full outsourcing support and shadow accounting.**

23. Feeds / General Ledger

- A. What general ledger system do you used? **SageMas 90.**
- B. Will files be sent via FTP, or another type of electronic delivery method? **Yes, files need to be sent FTP.**
- C. Please supply a file format and data fields needed for your current General Ledger feed. **- ISBI will not supply a file format and data fields needed for ISBI's current General Ledger feed, please provide us with options.**
- D. May we request a sample of your general ledger as well as a chart of accounts? **-ISBI will not be supplying sample general ledger and charts of accounts.**
- E. For non-General ledger feeds, please also respond to the above questions. **- Please see questions #7, 8, 9, and 10.**

24. Performance Measurement and related services:

- A. How many composites are used? **- 30.**
- B. Please indicate if you require or are interested in the following services. If so are the services needed on all account or only separately managed accounts? **- If required services are needed for all accounts.**
- Custom Benchmark Performance: **-Yes.**
 - If yes, how many custom benchmarks? **-10.**
 - Monthly Attribution- **ISBI is receptive to considering the possibility but notes that it is currently not required.**
 - Portfolio and Security Analytics- **ISBI is receptive considering the possibility of receiving portfolio and security analytics.**
 - Monthly or daily? **- ISBI is receptive considering to options.**
- C. Universe Comparison (Peer and Manager Universes) **-ISBI is receptive to considering the possibility but notes it is currently not required.**
- D. Board Reporting- **ISBI's Board of Directors or its Investment Policy Committee may require you to provide a presentation or answer questions at any of its scheduled meetings.**

25. Securities Lending:

- A. Please supply the number and name of 3rd party agents you currently use.-
Please see question #11.
- B. Please supply and estimate on the number of annual 3PL lending transactions.- **Based on YTD transactions, the estimated transaction count would be 3100 trades.**
- C. How are daily feeds sent today? Please share file specifications and format.- **Daily feeds are sent via MT535 and MT537 standard Swift Messages**

26. In addition to the information in the RFP, are there any areas of focus that may be of particular concern for ISBI, or that have prompted the request for proposal, that would assist us in customizing our RFP response?

No, but ISBI is receptive to considering suggestions presented by qualified Respondents.