

ILLINOIS STATE BOARD OF INVESTMENT
Responses to Submitted Questions: Passive Fixed Income and Passive International Equity

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 **3:00 PM, CDT, Wednesday, March 23, 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 **March 28, 2016**. The Q & A document does not identify the source of the query.

1. Regarding Minimum Qualifications #4 and #5 - Will a firm be considered if they meet all other minimum requirements except these two?

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

2. Each index RFP indicates that a separate account be used. Does the board only want to use separate accounts or will collective investment trusts be acceptable to present?

For the Emerging Markets Equity Index search, the Board will consider commingled accounts to fulfill the mandate. For the other searches, the Board will use separate accounts to fulfill the mandate.

3. Regarding trading and minority brokerage use, are there any specific restrictions?

It is the policy objective of the Board to increase access and business with state certified, minority-owned broker/dealers and Illinois-based broker/dealers; therefore, the Board has adopted this Minority and Illinois Brokerage Policy (the “Policy”). As a part of this Policy, the Board has adopted minimum expectations for the use of minority-owned broker/dealers by the Board’s investment advisers. The minimum expectations are established based on the asset class in which the investment adviser invests. In addition, the Board will encourage its investment advisers to direct 25% of their trades to Illinois-based broker/dealers. It is further the policy objective of the Board to encourage its investment advisers to seek to obtain best price execution at the Chicago Stock Exchange, which can be achieved by utilizing the Institutional Brokers of the Chicago Stock Exchange. For purposes of this Policy, in order to be considered a minority-owned broker/dealer by the Board, documentation of a current state certification must be provided to the Board.

Transactions completed with minority-owned broker/dealers on behalf of the Board must be completed at rates fully competitive with the market. Subject to best execution, investment advisers for the Board’s separately managed investment portfolios are strongly encouraged to direct the below percentages of total eligible commission dollars or eligible trading volume to minority-owned broker/dealers.

<u>Asset Class</u>	<u>Minimum Goal as a Percentage</u>
U.S. Equity	30%
International Equity	20%
Fixed Income	20%
International Fixed Income	0-5%
Emerging Market Small Cap Equity	0-5%

4. For the Emerging Markets mandate, are there any restrictions at the security level?
The Board will consider commingled funds for the passive emerging markets equity mandate and as such there is no security level restrictions imposed on the managers.

5. For the Aggregate Bond mandate, will in-kind securities or cash be used to fund the strategy?
A transition manager will be hired by the Board to buy the securities for the selected manager.

6. Is the Board seeking multiple managers for each allocation or will the full amount associated with each RFP be awarded to a single manager?
It is likely that one manager will be hired for each allocation.