ILLINOIS STATE BOARD OF INVESTMENT
Request for Competitive Proposal: U.S. Small-Cap Core Equity Index Investment Option

I. OVERVIEW

The Illinois State Board of Investment ("ISBI" or the "Board") is a non-appropriated state agency that is responsible for overseeing the Illinois Deferred Compensation Plan (the "Plan"). The Plan's net assets totaled $3.4 billion as of February 29, 2012, with approximately 52,000 participants, and annual net cash flows of approximately $22 million.

ISBI is issuing a Request for Competitive Proposals ("RFP") from qualified **U.S. small-cap core equity index investment options ("Respondents" or "Options"), in order to diversify the Plan's investment option line-up in equity investments and complement existing options within the asset class**. The fund will be a new option within the Plan with no initial assets mapped from existing options; it will be set up as either a commingled or mutual fund. All forms needed for submitting a response to this RFP are available on the Board's website at http://www.isbi.illinois.gov/RFP.htm. Respondents are responsible for monitoring the Board's website for information pertaining to the RFP, while the RFP is outstanding.

II. SEARCH PROCESS TIMELINE

1. Date of Issue:	May 29, 2012
2. Deadline to Submit Written Questions:	June 6, 2012, 3:00PM CST
3. Q&A Document Posted:	June 13, 2012
4. Final Filing Date:	June 27, 2012 3:00PM CST
5. Potential Interviews:	August 13, 2012
6. Finalist Notified By:	September 28, 2012

III. ISBI RFP PROCEDURES

The Board will provide notice of this RFP in the State of Illinois newspaper and in one or more industry periodicals at least 14 days before the response to the RFP is due. Notice will also be provided to ISBI's universe of options. The Board's Staff and Consultant shall encourage minority-owned and women-owned advisers and advisers owned by a person with a disability to participate in the competitive proposal process. Qualified Respondents that do not receive an RFP from the Board's Staff or Consultant are encouraged to compete, and may obtain the RFP document from the ISBI website. Neither this RFP nor any response submitted shall be construed as a legal offer.

All interested Respondents must submit their responses in accordance with the proposal submission instructions below. ISBI is not responsible for any costs incurred by the Respondents in responding to this RFP. The Board's Staff and Consultant shall open the responses, and thoroughly review each for content, quality and compliance with the RFP's requirements. Staff will compile a list of all Respondents to the RFP, identifying which responses are complete and incomplete.

If it becomes necessary to revise any part of this RFP, or if additional information is necessary for a clarification of provisions within this RFP, prior to the due date for proposals, a supplement

will be provided to all known potential Respondents and posted on the Board's website. If a supplement is necessary, the Board may extend the due date and time of the proposals to accommodate any additional information requirements.

Respondents are advised that proposal materials are subject to the Illinois Freedom of Information Act (5 ILCS 140). After the completion of the RFP, selection by the Board and negotiation of an agreement, if any, proposals submitted may be viewed and copied by any member of the public, including news agencies and competitors. Respondents claiming a statutory exception to the Illinois Freedom of Information Act for information within the Respondent's proposal must identify relevant language as confidential, and identify in the email transmission of the proposal whether confidential information is included. Further, each page of confidential documentation must be labeled as such. The Respondent must also specify which statutory exemption applies for each piece of confidential information. The Freedom of Information Act can be found at the Illinois General Assembly's website (http://www.ilga.gov/).

ISBI reserves the right to make determinations of confidentiality. If ISBI disagrees with a Respondent's confidential designation, it may either reject the proposal or discuss its interpretation of the exemptions with the Respondent. If agreement can be reached, the proposal will be considered. If agreement cannot be reached, ISBI will remove the proposal from consideration.

Following the review and evaluation of complete responses from interested Respondents, the field of candidates will be narrowed to a smaller list of the most highly qualified Respondents. The Board's Staff and Consultant will meet with representatives of each Respondent to obtain an independent assessment of the Respondent's capabilities.

Following the interviews with the selected Respondents, the Board's Staff and Consultant shall recommend Respondents for approval by the Board. The finalists may appear before the Board to present their firms' qualifications. The Board shall accept or modify the recommendation and make the final selection, if satisfied with the Respondents' capabilities.

The selection and retainer of investment options for the Plan, shall be made and awarded in accordance with applicable provisions of the Illinois Pension Code, the State Officials and Employees Ethics Act and any other relevant authority under the Illinois Compiled Statutes. All ex parte communications between the Board and its Staff and interested and disinterested third parties related to this RFP shall be recorded and disclosed to the Board's Ethics Officer where applicable. Board Members and Staff shall comply with all Illinois gift ban restrictions. No Respondent shall retain a person or entity to influence (i) the outcome of an investment decision or (ii) the procurement of investment advice or services by the Board for compensation, contingent in whole or in part upon the decision or procurement.

IV. PROPOSAL SUBMISSION

The Board's Consultant, Marquette Associates, Inc., shall oversee the RFP process. If your firm is interested in submitting a proposal, you must submit an electronic copy of the complete proposal by **3:00 PM, CDT, Wednesday, June 27, 2012** to:

SEARCH CONTACT: ISBI Search 1
Marquette Associates, Inc.
ISBISearch1@marquetteassociates.com

And

Illinois State Board of Investment
Isbi.backstop@illinois.gov

Questions concerning the RFP must be submitted in writing via e-mail to the Search Contact by **3:00 PM, CDT, Wednesday, June 6, 2012**. Responses to questions properly submitted will be consolidated into a single Q&A document and posted on the Board's website on or about **May 13, 2012**. The Q & A document will not identify the source of the query.

PLEASE NOTE: **Respondents WILL NOT receive individualized responses from the Search Contact, in response to questions submitted by a Respondent. Respondents must review the Q & A document posted on the Board's website to receive answers to all questions submitted.**

If the Board's Staff and/or Consultant has/have a question(s) regarding how to interpret a Respondent's proposal, Staff and/or Consultant is/are authorized to request additional information from that Respondent.

PLEASE NOTE: ANY PROPOSAL RECEIVED AFTER THE WEDNESDAY, JUNE 27, 2012 DUE DATE AND TIME WILL NOT BE CONSIDERED.

PROPOSALS MUST CONTAIN THE FOLLOWING DOCUMENTS:

1) Transmittal Letter. A transmittal letter must be submitted on the Respondent's official business letterhead. The letter must identify all documents being forwarded collectively as a response to the RFP, and must be signed by an individual authorized to bind the Respondent contractually. **An unsigned proposal shall be rejected**. The letter must also contain the following:
    - Statement that the proposal is being made without fraud or collusion; that the Respondent has not offered or received any finder's fees, inducements or any other form of remuneration, monetary or non-monetary, from any individual or entity relating to the RFP, the Respondent's proposal or the Board's resulting selection.
    - Statement that discloses any current business relationship or any current negotiations for prospective business with the Board or any ISBI Board Members or ISBI Staff.
2) Minimum Qualification Certification. Respondents must complete the certification and attach any supporting documentation.

3) Questionnaire. The Respondent must address the questionnaire items in the RFP in the order in which they appear in the RFP. Further, each question number and question in the RFP shall be repeated in its entirety before stating the answer.
4) Appendix I – The Respondent must complete the excel data sheet referenced in Appendix I.
5) Vendor Disclosure Attachment(s).

V. SCOPE OF SERVICES

The Respondent selected will provide a qualified U.S. small-cap core equity index investment option for the Plan. T. Rowe Price is currently the record-keeper for the Plan. The Option selected and its transfer agent must enter into an agency agreement with T. Rowe Price Retirement Plan Services, Inc. (as Agent) and T. Rowe Price Investment Services, Inc. (as Broker - Dealer). The agency agreement establishes roles, responsibilities and procedures governing the trading of the Option within the Plan. The agency agreement reflects generally accepted industry practices.

VI. POST-PERFORMANCE REVIEW

Any Respondent retained by the Board will undergo quarterly performance reviews, at Staff's discretion, wherein the Respondent's compliance with agreement objectives and deliverables will be assessed. Evidence of material non-compliance will be reviewed by the Board's Staff and Consultant, as well as the Board, if necessary.

VII. MINIMUM QUALIFICATION REQUIREMENTS

Respondents must satisfy each of the following 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. Failure to provide complete information will result in the rejection of the proposal.

Please circle "YES" or "NO" where indicated. If evidence is requested, please provide complete documentation.

1) If selected as a U.S. small-cap core equity index investment option to the Plan, Respondent agrees to serve as a fiduciary to the investors within the investment fund.
   YES or NO

2) Respondent is a registered investment adviser, registered with the SEC under the Investment Advisers Act of 1940, or, is classified as a bank, as defined by the Investment Advisers Act of 1940.
   YES or NO
   If yes, please provide evidence of Respondent's registration or classification (i.e. Forms ADV I and II) with Respondent's proposal.

3) Respondent and its personnel have all other authorizations, permits, licenses, and certifications required by federal and state laws and regulations to perform the services specified in this RFP at the time Respondent submits a response to the RFP.
YES or NO

4) Respondent has provided investment advisory services to at least three public funds over the last three years.
YES or NO
If yes, please list the names and assets under management of the three public funds.

5) Respondent has a dedicated investment advisory services unit with a minimum of three years of experience.
YES or NO.
If yes, please provide evidence.

6) Respondent has at least **$5.0 billion** in firm assets under management and maintains at least **$2.0** million in Errors & Omissions Insurance.
YES or NO
If yes, please provide evidence.

7) The allocation for this U.S. small-cap core equity index mandate is a new investment strategy and will not receive mapped assets from other existing funds. Per Marquette Associates' Commingled Account Fee Study[1], the bottom quartile fee for an allocation of this size and asset class is 31 basis points. Respondent's proposed fee is at or below this fee.
YES or NO

8) Respondent maintains sufficient procedures and capabilities necessary to ensure the timely and accurate backup and full recovery for all computers and other data storage systems related to the Plan.
YES or NO
If yes, please provide a complete description of these procedures and capabilities.

9) Respondent has both (i) reviewed the Board's Vendor Disclosure Policy **and** (ii) provided all disclosures required under the Policy. If Respondent has no disclosures to report, Respondent has indicated that fact in the firm's response. The Vendor Disclosure Policy is attached as ***Exhibit A***.
YES or NO

10) Respondent has (i) reviewed the Board's Investment Policy Guidelines, found via the Board's website (http://www2.illinois.gov/isbi/Pages/Reporting.aspx), (ii) agrees to be bound by such guidelines **and** (iii) understands that the guidelines are subject to change.
YES or NO

[1] Source: www.eVestmentAlliance.com

11) Respondent agrees that if retained to provide services to the Plan, Respondent, in conjunction with the Board's Staff, will be required to submit periodic written reports, on at least a quarterly basis, for the Board's review at its regularly scheduled meetings. All returns on investment shall be reported as net returns after payment of all fees, commissions, and any other compensation.
YES or NO

12) Respondent agrees that, if retained to provide services to the Plan, Respondent will enter into an agency agreement with T. Rowe Price Retirement Plan services, the Plan's current record-keeper.
YES or NO

13) Respondent has reviewed the Scope of Services and understands the Board's expectations for the option for the Plan.
YES or NO

IF RESPONDENT PROVIDED A "NO" RESPONSE TO ANY OF THE MINIMUM QUALIFICATION REQUIREMENTS ABOVE, RESPONDENT SHOULD NOT SUBMIT A PROPOSAL TO THE BOARD.

PLEASE CERTIFY THE RESPONDENT'S SATISFACTION OF THE MINIMUM QUALIFICATIONS BY PROVIDING THE RESPONDENT'S AUTHORIZED SIGNATURE BELOW.

Authorized Signer Name: _____

Title: _____

Respondent Firm: _____

Signature: _____

Date: _____

VIII. QUESTIONNAIRE

General Information

1) Please provide the Respondent's name, as well as the name, title, address, phone number, fax number, and email address of the individual who will be serving as the primary contact on the account.

2) What year was your firm established?

3) Please give a brief history of your firm and discuss the general ownership structure. Indicate all entities that have an ownership stake. Please provide a chart detailing ownership by percentages.

4) Have there been any changes in the ownership structure of your firm in the past five years? If yes, please explain in detail.

5) Please provide brief biographies (which include the names, roles, and years of experience) of the investment management team for the product.

6) Are the investment professionals under employment contracts with the Respondent?

7) Please discuss the compensation plan of the investment professionals.

8) Is your firm represented by any third party organization or individual whose purpose is marketing and/or gathering assets for the firm and are compensated as such? If so, list all relationships and their nature.

9) Will any third party or individual be compensated if your firm were to win the ISBI allocation?

10) Is your firm a registered minority (at least 51% minority owned) investment adviser? If so, please attach state certification.

Compliance and Trading

11) Has there been any litigation involving your firm in the past five years? If yes, please attach a detailed review.

12) Is your firm affiliated with a broker-dealer?

13) Is the product your firm is proposing compliant with GIPS® Standards? If yes, please indicate the last audit year. If yes, please provide the most recent verification letter.

14) Please provide a brief description of any past or pending regulatory action, litigation, or

other legal proceedings involving the firm or any registered employees and/or principals as defendants in the last five years.

15) Has your firm been audited or investigated by the SEC, DOL, or any regulatory agency in the past five years? Please explain any key findings. Please attach a copy of the SEC Review findings and firm responses.

16) Does your firm have a dedicated compliance officer? Does this person serve other roles within the firm? If so, please describe.

17) Who is the firm's independent auditor? How long have they been serving in this capacity?

18) Who is the firm's legal counsel or does your firm use an in-house legal team? Please provide brief biographies for them, indicating how long they have been serving in this capacity.

19) Please describe your firm's disaster recovery and business continuity plans, specifically addressing the most recent date and the number of times you have practiced and tested your procedures in the past five years, and the results of those exercises. Please provide a copy of your firm's disaster recovery and business continuity procedures.

20) Please address the firm's back-up capabilities and/or offsite location, particularly related to the firm's trading desk, in the event its primary office location was inaccessible.

21) What is your firm's personal trading policy?

22) What are your firm's procedures for personal trading policy violations? How many violations of your firm's personal trading policy have occurred in the past twelve months? Please describe the nature of each violation.

23) To what software, systems and/or processes ensure client-specific guidelines and regulations are adhered?

24) Describe your firm's trading methodology. What systems/processes does your firm utilize to minimize trading costs? Who is responsible for trading the product - portfolio managers or dedicated traders?

25) In the last calendar year, what was the cents/share commission on trades for this product? Does the firm anticipate this cost going up or down in the future?

26) Please submit your firm's policy on soft dollar trading.

27) If your firm utilizes soft dollars, please list the top five brokers utilized in the **last calendar year**:

28) If your firm utilizes soft dollars, please list the top five things soft dollars were allocated toward in the **last calendar year**:

Item:	Soft Dollar Amount:

Investment Process

29) Please provide a complete review of your firm's investment methodology for the product and the decision making process. Please comment specifically on:

- Index Replication Method
- Tracking Error Monitoring
- Buy/sell decision

30) What part(s) of your firm's process add(s) the most value? Please provide back-up data on this answer.

31) Has there been a time when the product significantly deviated from its benchmark over a four-quarter period? If so, please explain.

32) Have there been any changes to the product's investment process over the past five years? If yes, please describe in detail.

33) Please discuss your firm's risk analysis and control methodology.

34) At what asset level, if any, will your firm close this product?

35) What distinguishes your firm from other investment options with respect to this product?

Performance

36) Against what benchmark is the product evaluated?

37) Please discuss your firm's target tracking error for this product, gross of fees, over the specified index over a three- and five-year period.

Miscellaneous

38) What is the minimum account size for a separately-managed portfolio for this product?

39) What investment vehicles are available for a new investment option in a deferred compensation plan?

40) What is the fee schedule on the product for all investment vehicles?

41) Please provide policies and/or procedures regarding the following items:
    a. Ethics
    b. Investment Opportunity and Trade Allocation among Clients
    c. Privacy
    d. Record-keeping
    e. Valuation

Appendix I

PLEASE COMPLETE THE EXCEL DATA SHEET ATTACHED TO THIS RFP TITLED Equity Data Sheet 1Q12.

Exhibit A

The Illinois State Board of Investment (ISBI) acts as fiduciary for the General Assembly Retirement System, Judges' Retirement System and State Employees' Retirement System of Illinois. As fiduciaries, the Board is responsible for managing, investing, reinvesting, preserving and protecting fund assets.

It is the policy objective of the Illinois State Board of Investment (ISBI) to prevent actual, potential or perceived conflicts of interest with its current and prospective vendors on behalf of its participants.

In furtherance of this policy, ISBI shall require the following disclosures:

1. Political Contribution Disclosure

All (i) vendors submitting bidding proposals to ISBI and (ii) vendors retained by ISBI, as well as each of the aforesaid vendors' solicitors, finders, officers, directors, partners, principals, and lobbyists, must provide written disclosures of all political contributions made during the preceding five years to a Board Member or a Board Member's Campaign Committee, and provide disclosures in writing of any future political contributions made to Board Members or a Board Member's Campaign Committee.

Additionally, (i) vendors submitting bidding proposals to ISBI and (ii) vendors retained by ISBI, as well as each of the aforesaid vendors' solicitors, finders, officers, directors, partners, principals, and lobbyists, must provide written disclosures of any future instances where a Board Member or a Board Member's Campaign Committee solicits any political contributions from such persons, regardless of the candidate or political campaign committee for whom the solicitation is requested.

The failure to provide written disclosures of political contributions or solicitations may result in the disqualification or termination of the vendor.

PROVIDE RESPONDENT'S POLITICAL CONTRIBUTION DISCLOSURES IN AN ATTACHMENT.

IF RESPONDENT HAS NO POLITICAL CONTRIBUTIONS TO REPORT, INDICATE THAT RESPONDENT HAS NO DISCLOSURES TO REPORT IN AN ATTACHMENT.

2. Vendor Disclosure of Financial Interests and Potential Conflicts of Interest

All bidding materials from potential ISBI vendors must be accompanied by a disclosure of any ownership of the vendor in excess of 5%, as well as a disclosure of any distributive income share in excess of $100,000.00 of the bidding entity and its parent entity. If the vendor is a publicly traded entity subject to Federal 10K reporting, it may submit its 10K disclosure to satisfy the 5%

ownership disclosure. Distributive income share, in this instance, is a fee, commission, bonus or any other form of remuneration conferred by the bidding entity or its parent contingent on the bidding entity's selection for procurement of services by ISBI.

Disclosures must include at least the names, addresses, and dollar or proportionate share of ownership of each person identified and their instrument of ownership.

PLEASE PROVIDE OWNERSHIP DISCLOSURES IN AN ATTACHMENT.

IF RESPONDENT HAS NO OWNERSHIP DISCLOSURES TO REPORT, INDICATE THAT RESPONDENT HAS NO OWNERSHIP DISCOSURE TO REPORT IN AN ATTACHMENT.

Further, the bidding entity must disclose whether any of the following relationships, conditions, or statuses are applicable to representatives of the bidding entity or its parent entity:

a. State employment, currently or in the previous three years, including contractual employment services;

b. State employment by spouse, father, mother, son, daughter or immediate family including contractual employment for services in the previous two years;

c. Elective Status: the holding of elective office of the State of Illinois, the government of the United States, any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois currently or in the previous three years;

d. Relationship to anyone (spouse, father, mother, son, daughter or immediate family) holding elective office currently or in the previous two years;

e. Employment, currently or in the previous three years, as or by any registered lobbyist of the State government;

f. Relationship to anyone (spouse, father, mother, son, daughter or immediate family) who is or was a registered lobbyist of the State government in the previous two years;

g. Compensated employment, currently or in the previous three years, by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections;

h. Relationship to anyone (spouse, father, mother, son, daughter or immediate family) who is or was a compensated employee in the last two years of any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections.

PROVIDE DISCLOSURES APPLICABLE UNDER SECTION 3.a. – 3.h. IN AN ATTACHMENT.

IF RESPONDENT HAS NO DISCLOSURES TO REPORT FOR 3.a. – 3.h., INDICATE RESPONDENT HAS NO DISCLOSURES TO REPORT FOR 3.a – 3.h. IN AN ATTACHMENT.

These disclosures are not intended to prohibit or prevent any contract. The disclosures are used to fully and publicly disclose any potential conflict to ISBI so that ISBI may adequately discharge its duty to protect its participants.

When a potential for a conflict of interest is identified, discovered, or reasonably suspected, the Executive Director shall review and comment on it in writing to the Board's Audit and Compliance Committee. This Committee shall recommend in writing to the Board whether to void or allow the contract, bid, proposal or response weighing the best interests of the State of Illinois. The comment and determination shall be a part of the associated file.

These thresholds and disclosures do not relieve ISBI, or its designees, from reasonable care and diligence for any contract, bid, proposal or response. ISBI, or its designees, shall use any reasonably known and publicly available information to discover any undisclosed potential conflict of interest and act to protect the best interest of the State of Illinois.

Failure to make any disclosure required by this provision may render the contract, bid, proposal, response or relationship voidable by the Board and may result in the termination of any existing relationship, suspension from future contracts, bids, proposals, responses or relationships for a period up to ten years. Reinstatement must be reviewed and commented on in writing by the Executive Director. The Board shall determine in writing whether and when to reinstate the party at issue. The comment and determination must be a part of the associated file.

Additionally, all disclosures must note any other current or pending contracts, leases, bids, proposals, responses or other ongoing procurement relationships the bidding, proposing, or responding entity has with any other unit of State government and must clearly identify the unit and the contract, lease, bid, proposal, response or other relationship.
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This policy shall be disclosed to all vendors as early as possible in the marketing process, ideally at the initial point of contact with ISBI. However, a failure on the part of ISBI to make such disclosure shall in no way detract from the application of this policy.

ADOPTED: September 7, 2005
AMENDED: December 16, 2005
AMENDED: January 30, 2009