

ILLINOIS STATE BOARD OF INVESTMENT
Responses to Submitted Questions: Senior Secured Loans

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 RFPs had to be submitted in writing via e-mail to the Search Contacts by **3:00 PM, CST, Friday, July 13, 2012**. 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 18, 2012**. The Q & A document does not identify the source of the query.

1. Minimum Qualification 3 appears to read that managers submitting a proposal must quote a fee that is at or below 40 bps. Will a manager be rejected if they propose a fee higher than 40 bps? Also, would the ISBI consider a performance based fee with a lower base than 40bps with some potential to earn higher than 40bps if alpha is generated?

In order to be considered for the search, the Respondent’s proposed fee must be no higher than 0.40%. A performance based fee will not be considered.

2. Our question relates to Section VII. Minimum Qualification Requirements and Certification, Qualification #8 (specifically the Minority Brokerage minimum usage goal). We do not believe we can achieve the targeted 20% of transactions completed with Minority Brokerage firms. Can you please confirm that failure to reply “yes” to this entire requirement would disqualify our submission?

The Board’s Minority and Illinois Brokerage and Money Manager Policy does not apply to this particular mandate and therefore should not have been specifically mentioned in Minimum Qualification #8. Respondent will not be disqualified for failure to comply with the Board’s Minority and Illinois Brokerage and Money Manager Policy.

3. Given that there are a number of reasons that Senior Secured Loans do not meet GIPS standards (see detail below), would you be able to provide some clarification regarding the GIPS verified composite requirements outlined in item 4 of the Minimum Qualifications section of the Senior Secured Loans RFP?

Verification is the process by which an independent verifier assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis, and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. Audited financials are not sufficient; Respondent must be GIPS verified.

4. What Custodian would ISBI use?

ISBI’s current Custodian is State Street Bank & Trust.

5. What is the expected pace of ramping the portfolio? For the \$150 million mandate, would ISBI invest all at once or leg in to the market over several months?

The selected Respondent would take over an existing senior loan mandate.

6. Can you provide us with a list of names of the Illinois State Board Members who were on the Board for the last five years? We also request a list of Board Members Campaign Committees in order to comply with Exhibit A.

The political contribution disclosure in Exhibit A applies only to *current* Board Members for political contributions made over the last five years. Information pertaining to current Board Members can be found on the Board's website at <http://www2.illinois.gov/isbi/Pages/Board.aspx>. The Board is unable to provide a comprehensive list of all Board Members Campaign Committees; however the Board's elected officials are limited to Comptroller Topinka, Treasurer Rutherford and Senator Clayborne.

7. Can you define for us immediate family members as indicated in Exhibit A page 14?

The term "immediate family member" is generally interpreted to include spouse, parents and grandparents, children and grandchildren, brothers and sisters, mother in law and father in law, brothers in law and sisters in law, daughters in law and sons in law. In addition, adopted, half, and step family members are also included in the generally accepted definition of "immediate family member".

8. With regard to Exhibit A page 14 # 3 (Vendor Disclosure of Financial Interests and Potential Conflicts of Interest) does the disclosure of any distributive income shares include dividends paid to a parent firm?

Yes.

9. Would the Board be able to provide the List of Forbidden Entities and List of Scrutinized Companies for Iran?

The Board's List of Forbidden Entities is updated on an annual basis while the Board's List of Scrutinized Companies is updated on a monthly basis. The selected Respondent will be provided with the most current lists. The most current lists can also be found on the Board's website at <http://www2.illinois.gov/isbi/Pages/Reporting.aspx>.

10. Within Exhibit B #2 do commissions apply to the investment manager's in-house marketing staff?

No.

11. Can ISBI provide an approved list of Illinois-based and minority-owned broker/dealers to aid Symphony in responding to the RFP questions on the subject?

The Board's Minority and Illinois Brokerage and Money Manager Policy does not apply to this particular mandate and therefore should not have been specifically mentioned in Minimum Qualification #8.

12. Exhibit A. 1. Political Contributions. Our firm is registered with the Illinois State Board of Elections and in compliance with Illinois statutory restrictions regarding political campaign contributions (30 ILCS 500/50-37) as well as the federal "pay-to-play" restrictions. We would like to confirm understandings regarding the disclosure requirements under Exhibit A. 1. We will survey directors and key officers of the company who will fulfill management and client servicing obligations regarding the account in the event we are awarded the business and will include any required disclosure regarding such individuals in our response to the RFP. However, we do not plan to survey all of the 450+ officers in the firm regarding any political contributions in the past five years. We hope that this will satisfy the disclosure requirements of Exhibit A.1. regarding prior contributions and would appreciate confirmation of this understanding.

Yes, the aforementioned approach will satisfy the disclosure requirements.

13. Regarding Representation and Certification #29 – can you please provide the average pro rata cost for the last several years and how long the current contract is effective?

Last year, the cost to each investment adviser was \$1,630, which was similar to prior years. The contract between the Board and MSCI, the Board's current list provider, is set to expire June 30, 2014, after which the contract for services will be put out to RFP.

14. Regarding Representation and Certification #30 – can you please provide a sample Certification For Asset Management or provide additional insight into where we can find it?

A Certification For Asset Management, pursuant to Public Act 95-0521, certifies that the investment adviser has complied with the Board's Sudan Divestment Policy. A sample certification can be found in Exhibit F of the Example of Investment Advisory Agreement, located on the Board's website at <http://www2.illinois.gov/isbi/Pages/Reporting.aspx>.