

**ILLINOIS STATE BOARD OF INVESTMENT**  
**Responses to Submitted Questions: Defined Contribution Target Date Funds**

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”), on behalf of the State of Illinois Deferred Compensation Plan (the “Plan”). 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 Contact by **3:00 PM, CST, Monday, October 19, 2015**. 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 **October 28, 2015**. The Q & A document does not identify the source of the query.

1. Does the Board have a preference for an All-Index, All-Active or hybrid approach to Target Date Funds?

**The Board is interested in reviewing all proposals that accommodate the minimum qualifications set forth in the RFP.**

2. Is the Board considering a custom open-architecture solution?

**The Board is interested in reviewing all proposals, both custom and off-the-shelf, that accommodate the minimum qualifications set forth in the RFP.**

3. Is there a preference for lending or non-lending vehicles??

**The majority of the Plan’s investment options are non-lending vehicles; however, the Board is interested in reviewing all proposals that accommodate the minimum qualifications set forth in the RFP.**

4. Was there anything (e.g., performance reasons, high expense) that led to the current RFP being issued?

**The Board is issuing the RFP consistent with its fiduciary duty to the Plan.**

5. Is there any additional information available regarding plan demographics, specifically average income replacement during retirement through state or federal government benefits (e.g., pension plan, social security benefits, defined contribution benefits)??

**Aside from the information contained on the Board’s website and within the RFP, there is no additional information regarding the Plan to be disclosed.**

6. What is the percent of terminated employees in the plan currently (if any)?

**This information will be provided to the selected Respondent at a later date if deemed necessary.**

7. What is the expected drawdown ratio of plan assets versus new expected contributions?

**Please see the response to Question #6.**

8. Under the Section VII. 'Minimum Qualifications Requirements and Certification', Question 13, can you please define the "agency agreement with T.Rowe Price?" Does that refer to record keeper and trading agreements?

**Yes.**

9. What are the current assets under management per target year?

**Please refer the pdf document titled, "ISBI DC August 2015" which is posted to the Board's website.**

10. Documents ask for signature from our Chief Compliance Officer. Would a signature from a Principal from [Respondent's] Legal Department suffice?

**Yes.**

11. Question 1 under section VII states the respondent agrees to serve as a fiduciary to the investors within the funds. As long as [Respondent] serves as a fiduciary to the fund will we meet the requirement?

**The Board is willing to move forward with a Respondent if the Respondent agrees to service as a fiduciary to the Plan, to the extent that assets of the Plan are held within the fund; however, agreeing to serve as a fiduciary to the fund alone will not meet the minimum qualification set forth in the RFP.**

12. [Is the Board] open to the concept of custom target date collective trusts?

**Please see the response to Question #2.**

13. [Is the Board] looking for an off-the-shelf solution?

**Please see the response to Question #2.**

14. In regards to the \$5 billion product minimum, is the minimum required for the specific product chosen or can the minimum apply to all target-date solutions managed by that provider?

**Yes.**

15. If a custom solution is being considered as a viable option, we would like to be as thoughtful and responsive as possible. That said, any input to the following questions would be appreciated:

- Is there a particular income replacement ratio and/or multiple of salary objective at retirement? Are there any other explicit goals such as minimizing the probability and/or severity of losses at retirement?
- Has a fee budget been established and if so, what is it?
- Is there a preference for an all active, all passive or a mix of both as the underlying structure?
- Are there particular aspects of a custom structure that are more important than others? For example a custom glide path, multi-manager and/or active/passive mix?
- Will any demographic information be shared with us during the evaluation process so that it can be incorporated into an indicative glide path? If so, could you provide some details of the process?
- What level of operational support is being provided today for ISBI that should be retained going forward? Are there any operational services that aren't being provided that should be going forward? Any insight that can be shared regarding the level of importance, needs and support that ISBI might need operationally would be appreciated.
- As far as education and communication, can you provide some background regarding the expected role of the TDF provider?
- What services are you looking for from the TDF provider going forward?

**Plases see the response to Question #6.**

16. Would you consider a custom solution given that a custom solution is delivered via a separate account structure rather than through CITs or mutual funds?

**Pursuant to the minimum qualifications set forth in the RFP, the Board will only consider proposals that are mutual funds or daily priced collective trust vehicles.**

17. As a 40 Act fund manager, we serve as fiduciary to the fund rather than directly to investors in the fund. Could you confirm this fiduciary relationship will satisfy Minimum Qualification 1?

**Please see the response to Question 11.**

18. If a manager's practice has only been to track political contributions for three years in light of the Federal requirement, is it sufficient that we provide three years of data instead of five?

**No. However, please keep in mind that the disclosure of political contributions is limited to those made to the Board's current elected officials (i.e., Senator James Clayborne, Treasurer Michael Frerichs, and Comptroller Leslie Munger).**

19. Confirm our understanding that distributive income share references payment made for procuring the business, not a dividend payment received as a firm shareholder.

**Confirmed.**

20. With respect to Public Act 98-1022, if manager has not historically tracked associates that are disabled, does that prohibit us from responding to this search?

**No.**

21. As a 40 Act fund manager, we would like to confirm there is no expectation we sign an IMA if awarded the business.

**While there is no expectation to enter into an Investment Management Agreement (“IMA”) with the selected Respondent, the Board does anticipate entering into some type of agreement on behalf of the Plan to govern the terms of the relationship.**

22. Can we qualify for product AUM minimum if the underlying funds in the TDF product exceed \$5B?

**No.**