

**ILLINOIS STATE BOARD OF INVESTMENT**  
**Form Request for Competitive Proposal: Investment Consultant**

**I. OVERVIEW.**

The Illinois State Board of Investment (the “Board” or “ISBI”) hereby issues a request for competitive proposals (“RFP”) from qualified investment consultants (“Respondent(s)” or “Consultant(s)”) to provide support services to assist portfolio management in the ongoing development and diversification of its investment portfolio.

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 to this RFP are responsible for monitoring the Board’s website for information pertaining to the RFP, while the RFP is outstanding.**

The Board is a non-appropriated state agency that is responsible for managing and investing the pension assets of the Illinois General Assembly Retirement System, the Judges’ Retirement System of Illinois and the State Employees’ Retirement System of Illinois. ISBI’s net assets totaled \$9.6 billion as of December 31, 2009. More information regarding ISBI can be found by reviewing its enabling statute at 40 ILCS 5/22A and its website at: <http://www.isbi.illinois.gov>. Please review the attached excel spreadsheet labeled as “ISBI Asset Allocation” for additional information regarding the Board’s portfolio.

**II. RFP TIMELINE.**

- A. Date of Issue: \_\_\_\_\_
- B. Deadline to Submit Written Questions: \_\_\_\_\_
- C. Q & A Document Posted: \_\_\_\_\_
- D. Final Filing Date: \_\_\_\_\_
- E. Potential Interviews: \_\_\_\_\_
- F. Finalist Notified By: \_\_\_\_\_

**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 the Board’s universe of Consultants. Qualified Consultants that do not receive an RFP from ISBI are encouraged to compete and may obtain the RFP document from the ISBI website. Neither this RFP nor any response to this RFP should be construed as a legal offer.

Public Act 96-0006 encourages the Board to increase the racial, ethnic, and gender diversity of its fiduciaries, to the greatest extent feasible within the bounds of financial and fiduciary prudence. In furtherance of this Act, it is the goal of the Board to use its best efforts to increase the racial, ethnic, and gender diversity of its fiduciaries, including its consultants. The Board encourages minority, female and disabled-owned Consultants to submit proposals to this RFP, and will include known minority, female and disabled-owned Consultants in the RFP process.

All interested Consultants must submit their responses in accordance with the proposal submission instructions below. ISBI reserves the right to reject any or all proposals submitted. All material submitted in response to the RFP will become the property of the Board. ISBI is not responsible for any costs incurred by the Respondents in responding to this RFP.

Staff 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 the 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 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 completion of the RFP, selection by the Board and successful negotiation of a contract, 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 Respondents' proposals 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 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 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 will prepare Respondent recommendations 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 Board shall conduct the RFP process and any potential retainer 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 parties, including Respondents, or non-interested parties shall be recorded or disclosed, in accordance with the State Officials and Employees Ethics Act. 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 of the Board for compensation, contingent in whole or in part upon the decision or procurement.

ISBI shall post the name of the successful Respondent, if any, on the Board's website, along with a disclosure including the total amount applicable to the contract, the total fees paid or to be paid and a description of the factors that contributed to the selection of the Consultant. Any contract negotiated will not exceed five years in duration. Options to renew or extend the contract will not be included.

**IV. PROPOSAL SUBMISSION.**

The Board's Staff shall oversee the RFP process. If a Consultant is interested in submitting a proposal, the Consultant must submit an electronic copy of the complete proposal by \_\_\_\_\_ to:

**SEARCH CONTACT:** Linsey Schoemehl  
Investment Compliance Officer  
Illinois State Board of Investment  
[Linsey.Schoemehl@illinois.gov](mailto:Linsey.Schoemehl@illinois.gov)

Procedural and substantive questions concerning the RFP must be submitted in writing via e-mail to the Search Contact by \_\_\_\_\_. Responses to questions properly submitted will be consolidated in a single Q & A document and posted on the Board's website on or about \_\_\_\_\_. 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 Staff has a question(s) regarding how to interpret a Respondent's proposal, Staff is authorized to request additional information from that Respondent.

**ANY PROPOSAL RECEIVED AFTER THE \_\_\_\_\_ DUE DATE AND TIME WILL NOT BE CONSIDERED.**

**PROPOSALS MUST CONTAIN THE FOLLOWING DOCUMENTS:**

- A. **Transmittal Letter.** A transmittal letter must be submitted on the Respondent's official business letterhead. The letter must identify all documents provided 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 Consultant 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.

B. Minimum Qualification Certification. The Respondent must complete the certification and provide all supporting documentation.

C. 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. Certain questions require supporting documentation. For example, #40 requires that sample reporting be submitted in the RFP response, and #41 requires that a fee proposal be submitted in the RFP response. This supporting documentation should be submitted as attachments to the questionnaire.

D. Vendor Disclosure Attachment(s).

## V. ***SCOPE OF SERVICES.***

The Board seeks a Consultant with substantial experience advising public defined benefit plans to provide comprehensive investment consulting services for the Board's portfolio. The Consultant selected will work closely with Staff and will report regularly to the Board and the Board's Investment Policy Committee.

The Board expects any Consultant retained under this RFP to provide the following services, at a minimum:

A. Strategic Investment Consulting.

1. Provide recurring recommendations concerning long-term investment policy, objectives and strategy for the investment portfolio.
2. Prepare special analyses and/or research, as requested by Staff, to define goals and objectives, monitor portfolio risk and model program cash flows/commitment pacing for the investment portfolio.
3. Conduct and prepare comprehensive written research, analysis and advice on specific investment issues, or conduct special projects or other activities, as requested.
4. Appear as needed at Board meetings and/or Investment Policy Committee meetings or other meetings to (i) present research, analyses, written reports and recommendations or (ii) respond to questions relating to the portfolio or the investment market or industry.
5. Attend meetings with Staff, in order to provide advice and counsel on matters related to the investment, as needed.
6. Coordinate and communicate with the Board, Staff and investment funds in the portfolio on an ongoing basis, in order to ensure the effective and successful administration of the investment portfolio.
7. Provide other consulting services consistent with or required in connection with the investment portfolio and its goals, strategies and objectives.

B. Deal Sourcing and Due Diligence.

It is expected that investment deals will be sourced by both the Consultant and Staff. Deal sourcing and due diligence will include the following actions, at a minimum:

1. Develop a proactive, structured process to (i) analyze the full universe of available investments and (ii) identify efficiently those investments most advantageous to the Board for investment. This process will include detailed analysis of prospective investments identified by Staff.
2. Conduct due diligence on those prospective investments that Consultant or Staff recommend for consideration. Due diligence will include evaluation of the prospective investment's history, team, performance and strategy. The Consultant will ensure that investments reviewed will comply with Illinois laws governing investments with ties to Iran and Sudan.
3. Present written recommendations to the Staff, Board and Investment Policy Committee, which will include: (i) the results of Consultant's due diligence, (ii) a discussion of strategic considerations, (iii) an analysis regarding how the recommendation fits within the Board's investment portfolio and (iv) a detailed business review of the deal terms and fund documents.
4. Work with Staff and legal counsel in the negotiation of contract terms and conditions.

C. Monitoring of the Investment Portfolio.

1. Take responsibility for the timely review and analysis of key events that may affect the investment portfolio. This review and analysis may cover market changes, changes in senior management or substantial reductions in portfolio value. Monitoring will be conducted through surveillance of the media, communication with professional networks and the systematic review of the funds' reporting, at a minimum.
2. Assist in any actions taken to protect the interests of the Board as an investor, and interact, where necessary, with portfolio general partners to ensure individual fund compliance with contract terms.
3. Assist Staff in attending partnership annual meetings, and, where appropriate, serve on advisory boards.
4. Review and recommend courses of action for all fund document amendments.

D. Database Management.

The Consultant will develop and maintain a database, management of which will include, at a minimum, the following:

1. Record all historical information on cash flows, net asset values, unfunded commitments, fee payments, cost basis and returns per investment.
2. Record performance data, including IRR and multiple calculations, and measure the recorded data against performance benchmarks.
3. Review cash flows and performance data by individual investment, asset class and the total portfolio over quarterly periods.

E. Reporting.

The Consultant will provide the following reporting:

1. Quarterly performance reporting, which will include, at a minimum:
  - a. Allocation breakdown by geography, sector and industry
  - b. Updates on each investment fund
  - c. Listing of each investment fund by sector
  - d. Date of commitment to each investment fund

- e. Commitment amount to each investment fund
  - f. Drawdown amounts by investment fund
  - g. Outstanding commitment by investment fund
  - h. Distribution amounts by investment fund
  - i. Investment fund NAVs
  - j. Multiples by investment fund
  - k. IRR of each investment fund
  - l. Items a – k aggregated for the total investment portfolio.
  - m.
2. Reconcile the quarterly reporting with the custodian bank's reports and records for accuracy.

F. Other.

1. Provide educational workshops to Board Members on specific issues designated by the Board and/or recommended by the Consultant.
2. Provide comments and analysis on proposed federal and state legislation affecting the investment portfolio.
3. Support Staff, the Board and/or the Investment Policy Committee through written and/or oral presentations with government agencies, legislative committees, auditors etc.
4. Meet with Staff quarterly to review the investment portfolio, update Staff regarding the current market/ new issues and advise regarding improvements to the investment portfolio or the Board's administration of same.

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 investment consultant, as well as the Board, if necessary.

**VII. MINIMUM QUALIFICATION REQUIREMENTS AND CERTIFICATION.**

**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. Respondent is an investment adviser registered with the Securities and Exchange Commission under the federal Investment Advisers Act of 1940. (Yes/No):\_\_\_\_\_   
If yes, please provide Form ADV I and II.
2. Respondent and its proposed team have all 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/No):\_\_\_\_\_
3. If retained for consulting services, Respondent agrees to serve as a fiduciary as defined by the Illinois Pension Code. (Yes/No):\_\_\_\_\_
4. Respondent has reviewed both the Board’s Targeted Investment Policy (attached as ***Exhibit A***) and Minority and Illinois Brokerage and Money Managers Policy (attached as ***Exhibit B***) and agrees that, if retained, Respondent can provide consulting services in furtherance of these policies. (Yes/No):\_\_\_\_\_
5. Respondent has reviewed both the Board’s Sudan Divestment Policy (attached as ***Exhibit C***) and Iran Divestment Policy (attached as ***Exhibit D***) and agrees that, if retained, Respondent can provide consulting services in compliance with these policies. (Yes/No):\_\_\_\_\_
6. Respondent has both (i) reviewed the Board’s Vendor Disclosure Policy (attached as ***Exhibit E***) **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. (Yes/No):\_\_\_\_\_
7. Respondent has (i) reviewed the representations and certifications, outlined in ***Exhibit F***, **and** (ii) agrees that, if retained to provide consulting services, such representations and certifications will be incorporated into the investment consulting contract. Limited drafting changes may be negotiated during any contract negotiation. (Yes/No):\_\_\_\_\_
8. Respondent agrees to provide the services as detailed in the Scope of Services section of this RFP and any other requirements as stated in this RFP. (Yes/No):\_\_\_\_\_

9. The primary/lead contact for the Board's account must have a minimum of ten total years experience in the public/private defined benefit plan space, as of December 31, 2009. (Yes/No):\_\_\_\_\_
- If yes, please provide evidence.
11. If retained, Respondent will, in conjunction with the Board's Staff, 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, in addition to any other reporting requested. (Yes/No):\_\_\_\_\_
12. 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 an ISBI account(s). (Yes/No):\_\_\_\_\_
- If yes, please provide a complete description of these procedures and capabilities.

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.*

### **Organizational Background**

1. Please provide your firm's name, as well as the name, title, address, phone number, fax number and email address of the individual(s) who will be serving as the primary/lead contact(s) on the account.
2. What year was your firm established? How many years has your firm been providing investment consulting services?
3. Please indicate the location of your firm's headquarters and any branch offices. What is the number of staff in each office? What is the primary function of each office?
4. 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.
5. Have there been any changes in the ownership structure of your firm in the past five years? If yes, please explain in detail.
6. Is your firm represented by any third party organization, placement agent 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.
7. Will any third party or individual be compensated if your firm were to win the ISBI allocation?
8. Is your firm a registered minority (at least 51% minority owned) investment adviser? If so, please attach state certification.
9. Since January 1, 2005, has your firm, or any officer or principal within the firm been involved in any financial issues, business litigation, regulatory or other legal proceeding or governmental investigations involving allegations of fraud, negligence, criminal activity or breach of fiduciary duty? If so, please provide a description, explanation, and indicate the current status of the litigation and/or investigation. When was the last time the SEC, or any other regulatory agency, conducted an exam in your firm's office? What were the results of the exam?
10. Does your firm or an affiliate of the firm provide investment management, brokerage, trust or actuarial services? If so, how does your firm protect itself against conflict of interest? Would your firm notify a client of any apparent or potential conflict of interest, regardless of whether it was required by regulation or policy?
11. How does your firm evaluate the quality of its consulting services? Describe any benchmarks the firm has developed to evaluate its performance and the performance of its primary/lead consultants.

12. Does your firm, its principals or any affiliate(s) provide other services that generate revenue for the firm? Please list each type of service, its inception date, and a brief description of the service. Indicate the applicable percent of the firm's total revenues during the past four years.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues from consulting with plan sponsors	___%	___%	___%	___%
Revenues from money management activities	___%	___%	___%	___%
Revenues from services to money managers	___%	___%	___%	___%

Did these services produce 100% of your organization's revenues during the reporting period? If not, please provide information regarding the difference.

13. Please comment on your firm's policies regarding affirmative action/diversity.
14. Describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance the firm carries. List the insurance carriers supplying the coverage and supply certificates evidencing the coverage.
15. In an appendix, please provide a copy of your firm's Code of Ethics. Do the firm and its employees comply with the Code of Ethics and Standards of a professional association? Has the firm or any of its employees violated the firm's Code of Ethics? If so, please describe the ethics violations and resulting actions taken.
16. In an appendix, please provide a copy of your firm's most recent audited financial statement and SAS 70. If these are not available, please provide an explanation.

### Depth and Experience of Personnel

17. Please provide brief biographies (which include the names, roles, and years of experience) of the consulting team proposed for the ISBI account.
18. Explain how the team dedicated to ISBI's account would function, including primary/lead contact(s), back up, quality control, research, legal and support services.
19. What are the procedures for addressing issues when the primary/lead contact(s) or other assigned personnel are traveling or unavailable?
20. Describe your firm's back-up procedures, in the event the primary/lead contact(s) assigned to the ISBI account should leave the firm. If applicable, give an example of a situation where this procedure has been utilized.
21. What is the turnover of professional staff (senior management and consulting personnel) over the last five years? Please list staff positions hired, resigned and terminated within

the last five years, including a description of each position and the reason for the hire, resignation and/or termination.

22. Describe your firm's compensation arrangements for senior management and the primary/lead contact(s), including any incentive and other bonuses. Describe your firm's process for awarding discretionary bonuses.

**Client Coverage and References**

23. What is your firm's average ratio of clients to consultants? What is the composition of your firm's client base, including non-investor clients? If the firm's investor client base is heavily weighted toward any particular type of investor, please provide an explanation.
24. Provide a list of the five (5) largest public fund clients which you provide investment consulting services including name, contact, telephone number, asset values, number of years the client has retained your firm and the product(s) or service(s) the client uses. ISBI may contact any of these clients for reference purposes.
25. Please provide a list of clients gained and lost during the past three years, including the client's name, asset size, date of hire/termination and reason for hire/termination.
26. Please provide the following information:

<u>Mandate Type</u>	<u># of Clients</u>	<u>Market Value</u>	<u>Uncalled Commitments</u>	<u>Target Annual Commitments</u>
Monitoring/Reporting				
Non-discretionary Accounts				
Discretionary Accounts				
Co-mingled fund of fund accounts				
Secondary Funds/Accounts				
Other				

**Investment Consulting Services**

27. Please provide your firm's view of the current investment market.
28. Discuss the steps your firm would take to analyze ISBI's current investment portfolio.
29. For your firm's investment consulting group, please provide the following information:

<u>For the following:</u>	<u>Number of Discretionary Accounts</u>	<u>Non-Discretionary Accounts</u>	<u>Number of Accounts/Relationships</u>	<u>Amount for Discretionary Accounts</u>	<u>Amount for Non-Discretionary Accounts</u>	<u>Total Assets</u>
2009						
2008						
2007						
2006						
2005						

30. Please describe how your firm would work with ISBI to understand how investments would fit within the Board's total asset allocation. What types of investment mixes would your firm recommend for the Board? What are your firm's thoughts regarding the following:
- i. Advisory board seats
  - ii. Size of commitments
  - iii. Types of investments
  - iv. Benchmarks
  - v. International investments
  - vi. Leverage
  - vii. Co-investments
  - viii. Debt vs. equity investments
  - ix. Secondaries
  - x. Fund of funds
  - xi. Tactical vs. strategic
  - xii. Fund investments
  - xiii. Direct investments
31. What is your firm's approach for assessing its performance on non-discretionary mandates?
32. How does your firm allocate commitments among client accounts, both general and discretionary vs. non-discretionary?
33. What is your firm's philosophy and approach to investing in international investments? Does your firm currently have pension fund clients with international investments?
34. Explain your firm's ability to introduce ISBI to new opportunities and general partners outside the Board's existing investment portfolio.
35. Describe your firm's experience and capabilities in investing with emerging, minority or women owned investment funds.
36. Describe your firm's experience and capabilities in analyzing, monitoring and investing client assets with legislative investment restrictions, such as restrictions on investing in companies with ties to Iran and Sudan as discussed further in the Board's associated policies.
37. Provide details regarding your firm's investment approach, including sourcing and portfolio construction.
38. Describe the different methodologies, measures and sources of data utilized by your firm for calculating, analyzing and evaluating clients' investment performance. What benchmarks and databases are available? Which does your firm prefer and why?
39. Describe your firm's due diligence process, including a description of the following components:

- a. Staffing
  - b. Investment analysis
  - c. Utilization of third party resources
  - d. Legal review
  - e. On going monitoring – how often is ongoing due diligence conducted and how often are site visits made?
40. In an appendix, please provide examples of the following reports:
- a. Deal log
  - b. All funds reviewed 2005 - 2010
  - c. All funds recommended to clients each year since 2005
  - d. Funds slated for review in 2010
  - e. Due-diligence report for recommended investment
  - f. Due-diligence report for declined investment
  - g. Sample white papers authored by the Consultant in the past three years
41. How would your firm propose structuring the fees in a relationship with ISBI? What would your firm expect its total annual fee to be? Please provide a fee proposal as an attachment to the response to this Questionnaire which includes an all-inclusive flat fee for each year of the contract, as well as a blended hourly rate by years. Fees should include all consultant travel and services. Please indicate in your response if a government rate is offered and whether fees are negotiable. In assessing fees, assume a five year contract term.
42. List the overall performance for all of the firm's investment clients for three (3), five (5) and seven (7) year periods ending June 30, 2009. Include percentile charts of performance relative to the universe. It is not necessary to identify clients by name.
43. What additional resources are available to your firm's non-discretionary clients?
44. Describe your firm's process of establishing benchmark performance targets for a client and how that selection relates to the benchmark for individual investment advisers.
45. How does your firm monitor risk in various investments?
46. Describe your firm's consulting and relationship management philosophy (i.e., your role as a consultant).

<b>Research Capabilities</b>
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47. Describe the system used by your firm to support investment adviser searches and performance evaluations. In particular, address the degree of automation of the system and the timing for your firm's review of manager performance, style characteristics, holdings and policy compliance (daily, weekly, monthly, quarterly, etc.)
48. Describe the structure and organization of your firm's research department. Does your firm gather and maintain its own data or does it utilize a third party's database?
49. Does your firm provide online services? If so, please describe any reports or other

information that would be available to ISBI online.

### Miscellaneous

50. In addition to the areas of specific interest listed elsewhere in this Questionnaire, what are the other strengths or areas of specialty in which your firm could be of assistance to ISBI?
51. Please comment on how your firm is uniquely qualified to service the Board's investment portfolio.
52. Describe any consultant duties not discussed in previous sections of this Questionnaire which your firm believes have been overlooked. Discuss associated fees.

## Exhibit A

### **ILLINOIS STATE BOARD OF INVESTMENT** **TARGETED INVESTMENT POLICY**

#### **Objective**

It is the primary goal of the Illinois State Board of Investment (the “Board” or “ISBI”) to develop and maintain an investment program that will help secure the retirement benefits of the participating retirement plans. In order to achieve this, investment managers are selected based on their long-term records of performance, depth of staff and consistency of approach among other characteristics.

However, the Board recognizes that even large, experienced and successful investment organizations were once small, start-up firms with few assets under management. Today many such firms are owned by minorities, women and persons with a disability. These firms are often started by experienced investment professionals, who show great promise, but find it difficult to compete with large majority owned organizations. The firms typically do not meet the minimum standards set for investment managers by large investment programs such as ISBI. Consequently, they are not considered.

In order to take advantage of these emerging organizations, the Board has adopted the following policy to seek increased participation by emerging investment managers<sup>1</sup> for ISBI’s investment program.

Furthermore, the Board goes beyond the utilization of emerging managers and has adopted goals for the utilization of minority investment managers<sup>2</sup>.

#### **Goals for Utilization of Minority-Owned Businesses, Female-Owned Businesses, and Businesses Owned by Persons with a Disability**

It is the goal of the Board that, subject to its fiduciary responsibility, the use of emerging investment managers shall be significant in each of the broad asset classes in which ISBI is invested and not concentrated in any particular asset class.

The Board has adopted the following minimum goals for the utilization of emerging and minority investment managers<sup>3</sup>:

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<sup>1</sup> Effective April 3, 2009, Public Act 96-0006 revised the definition of “emerging investment manager.” As a result, the current definition applicable to ISBI is found in 40 ILCS 5/1-109(4) and is defined as “a qualified investment adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a ‘minority owned business’, ‘female owned business’ or ‘business owned by a person with a disability’ as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.”

<sup>2</sup> For purposes of this policy, the term “Minority Investment Manager” includes emerging investment managers and/or minority owned businesses, female owned businesses, or businesses owned by a person with a disability as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

<sup>3</sup> Public Act 96-0006 requires the establishment of “3 separate goals for (i) emerging investment managers that are minority owned businesses; (ii) emerging investment managers that are female owned businesses; and (iii) emerging investment managers that are businesses owned by a person with a disability.”



Goals for Utilization of Emerging and Minority Investment Managers  
By Investment Manager Classification

<b>Classification</b>	<b>Percent of Total Portfolio</b>	
	<b>Emerging</b>	<b>Minority</b>
Minority-Owned	5% - 7%	20%
Female-Owned	3% - 5%	3% - 5%
Disabled	0% - 1%	0% - 1%

Goals for the Utilization of Emerging Investment Managers  
By Asset Class

<b>Asset Class</b>	<b>Percent of Asset Class</b>	
	<b>Emerging</b>	<b>Minority</b>
Equities	8% - 10%	30%
Fixed Income	10% - 12%	10% - 12%
Alternatives*	1% - 5%	1% - 5%

\* Alternative investments are not subject to the requirements set forth in Public Act 96-0006.

These goals will be reviewed annually.

Documentation of a current state certification must be provided to the Board before any asset allocation is received. Emerging managers may represent any asset class within ISBI's asset allocation. ISBI staff and investment consultants shall seek out emerging firms and present the most qualified firms to the trustees for consideration.

Adoption October 24, 2003  
Amended June 22, 2005  
Amended December 18, 2009

**Exhibit B**

**ILLINOIS STATE BOARD OF INVESTMENT**  
**MINORITY AND ILLINOIS BROKERS AND MONEY MANAGERS POLICY**

**Objective**

It is the policy objective of the Illinois State Board of Investment (“ISBI” or the “Board”) to increase access and business with state certified, minority-owned brokers and investment advisors. As a part of this policy, the Board has adopted minimum expectations for the use of minority-owned broker/dealers<sup>4</sup> by the Board’s investment advisors. The minimum expectations are established based on the asset class in which the investment advisor invests. On an annual basis, the Board will assess the effectiveness of the procedures established by which these goals are to be met, unless circumstances warrant more frequent review. Further, it is the policy objective of the Board to encourage managers to direct 25% of their trades to Illinois-based broker/dealers. It is further the policy objective of the Board to encourage managers 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.

Allocations of the Board’s assets to state certified minority managers will be made in accordance with the fiduciary standards under which the investment advisors operate. Broker/dealer transactions completed with state certified, minority firms on behalf of the Board must be completed at rates fully competitive with the market.

Subject to best execution, investment managers 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.

<b><u>Asset Class</u></b>	<b><u>Minimum Goal as a Percentage</u></b>
U.S. Equity	20%
International Equity	20%
Fixed Income	20%

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<sup>4</sup> In accordance with Public Act 96-0006, “minority-owned broker dealer” means “a qualified broker-dealer who meets the definition of ‘minority owned business’, ‘female owned business’, or ‘business owned by a person with a disability’, as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.”

## **Brokerage**

1. Staff will strongly encourage verbally and in writing the Board's domestic and international equity and investment grade fixed income managers to directly utilize state certified minority brokers. Staff will add additional asset classes when appropriate.
2. Staff will strongly encourage verbally and in writing for investment managers to direct 25% of their trades to Illinois-based broker/dealers. For purposes of this policy, an Illinois-based broker/dealer is any dually licensed broker/dealer incorporated and domiciled in the State of Illinois.
3. Staff will strongly encourage verbally and in writing managers to obtain best price execution at the Chicago Stock Exchange ("CHX"), which may be achieved by utilizing the list of Institutional Brokers of the CHX. For purposes of this policy, the list of Institutional Brokers of the CHX is comprised of Cheevers & Co., Inc., Chancellor Dougall, E\*Trade Securities, Lek Securities, and Nutmeg Securities, Ltd.
4. Staff will provide verbally and in writing to state certified minority brokers contacts for the Board's domestic and international equity and investment grade fixed income managers.
5. Staff will monitor the use of Illinois brokers and state certified minority brokers by the Board's managers, and report results to the Board on a quarterly basis. If a manager reports less than their encouraged percentage of state certified minority broker utilization staff will require the manager to report in writing the reason for the shortfall, at which time the Board will decide if the manager's practices are in accordance with the policy.
6. Staff will consider the use of Illinois brokers and state certified minority brokers when evaluating existing managers.
7. No step outs will be allowed. International brokerage policy applies to Ex-emerging markets with best efforts for emerging markets.

## **Asset Management**

8. Staff will review the statistical requirements for manager searches as needed to provide better access to state certified, minority managers that have appropriate products.
9. Staff will seek to include at least one state certified, minority candidate in final Staff interviews. Staff will inform the Board of all minority candidates.
10. Staff will regularly meet with Illinois minority managers on-site, and learn more about the Illinois minority manager community.
11. ISBI will make best efforts to include a meaningful representation of state certified minority money managers in the state Deferred Compensation Plan.

12. Staff will encourage consultants to be proactive and use creative approaches in achieving the Board's objectives with respect to the use of minority firms.

### **Consequences of Non-Compliance**

The Board continuously monitors investment managers' compliance with this policy and has established a series of consequences for those investment managers who continually fail to meet expectations. The investment managers are expected to achieve the desired levels over rolling twelve-month periods. The following steps will occur if the investment manager continues to fall short of expectations:

1. A follow-up letter will be distributed to the investment managers not achieving the minimum level of minority-owned broker/dealer usage. The investment managers will be reminded of the usage expected by the Board.
2. Not achieving the desired level of minority-owned broker/dealer usage will be noted in the annual investment manager review presented to the Board.
3. Staff will conduct a meeting with the investment manager to discuss the reasons for not achieving the desired level of brokerage.
4. Investment managers not achieving the expected levels of minority-owned broker/dealer usage may be subject to a moratorium on additional funding.
5. If an investment manager fails to comply with the request, they may be invited to appear before the Board to explain why they are unable to achieve the desired level of trading.
6. The investment manager may be placed on the Investment Managers Watch List.

Adopted: September 21, 2001  
Amended: October 24, 2003  
Amended: June 22, 2005  
Amended: March 20, 2009  
Amended: December 18, 2009

## Implementation of Public Act 95-0521

### Sudan Divestment Policy

Public Act 95-0521 (Act) imposes investment restrictions on *retirement systems* governed by Article 1 of the Illinois Pension Code. Specifically, new Section 5/1-110.6 of the Illinois Pension Code limits the investment of *retirement system* assets in certain *forbidden entities* with ties to the Government of Sudan.

This Sudan Divestment Policy shall serve as a guide for implementation of the Act's specific requirements.

*All italicized terms are defined in Exhibit A to this Sudan Divestment Policy.*

In accordance with the Act, the following actions shall be taken:

I. The Board shall not transfer or disburse funds to, deposit into, acquire any bonds or commercial paper from, or otherwise loan to or invest in any entity unless a *certifying company* certifies to the Board that (i) with respect to investments in a publicly traded *company*, the *certifying company* has relied on information provided by an independent researching firm that specializes in global security risk and (ii) 100% of the Board's assets for which the *certifying company* provides services or advice are not and have not been invested or reinvested in any *forbidden entity* at any time after December 27, 2007 (4 months after the effective date of this Act).

II. The Board shall obtain certifications from the *certifying company* by February 28, 2008 (6 months after the effective date of this Act) and annually thereafter. The Board shall then submit these certifications to the *Department*.

III. The Board has obtained a List of *Forbidden Entities* from Risk Metrics Group, an independent researching firm that specializes in global securities risk, which identifies for the investment managers' benefit the public *companies* that constitute *forbidden entities* under this Act. The Board shall be reimbursed for the cost of these services by each investment manager that invests the Board's assets in public securities. The cost shall be divided equally across all public security investment managers every 3<sup>rd</sup> quarter (via a reduction in the management fee owed to each investment manager on the 3<sup>rd</sup> quarter invoice). The Board cannot acquire the *companies* identified on the List of *Forbidden Entities*. In the event that the investment manager invests the Board's assets in a *forbidden entity*, the investment manager shall notify the Board in writing immediately and shall divest the *forbidden entity* in an orderly and fiduciarily responsible manner within six months of the investment. If the investment manager makes an investment in a *company* that is subsequently added to the List of *Forbidden Entities*, the investment manager shall divest the *forbidden entity* in an orderly and fiduciarily responsible manner within six months of the *company's* inclusion on the List of *Forbidden Entities*. The List of *Forbidden Entities* shall be updated on a quarterly basis and provided to each investment manager via email. On an

annual basis the Board shall, in consultation with the retained independent researching firm, adopt a List of ***Forbidden Entities*** and such list shall be published in the Board’s annual report.

**IV.** With respect to a commitment or investment in a ***private market fund*** made pursuant to a written agreement executed prior to the effective date of this Act, each ***private market fund*** shall submit to the appropriate ***certifying company***, at no additional cost to the Board: A) an affidavit stating that (i) the ***private market fund*** does not own or control any property or asset located in the ***Republic of the Sudan***, and (ii) does not conduct ***business operations*** in the ***Republic of the Sudan***; or B) a certificate stating that the ***private market fund***, based on reasonable due diligence, has determined that, other than direct or indirect investments in ***companies*** certified as Non-Government Organizations by the United Nations, the fund has no direct or indirect investment in any ***company*** (i) organized under the laws of the ***Republic of the Sudan***; (ii) whose principal place of business is in the ***Republic of the Sudan***; or (iii) that conducts ***business operations*** in the ***Republic of the Sudan***. Upon failure of the ***private market fund*** to provide the affidavit or certification required, the Board shall, within 90 days, divest, or attempt in good faith to divest, its interest in the ***private market fund***, provided that the Board confirms through resolution that the divestment does not have a material or adverse impact. The Board shall also immediately notify the ***Department*** and the ***Department*** shall notify other ***retirement systems***. No other ***retirement system*** may enter into any agreement under which the ***retirement system*** directly or indirectly invests in the ***private market fund*** unless the ***private market fund*** provides that ***retirement system*** with the affidavit or certification required.

**V.** With respect to a commitment or investment in a ***private market fund*** executed by the Board after the effective date of this Act, each ***private market fund*** shall, at no additional cost to the Board: A) submit to the appropriate ***certifying company*** an affidavit or certification (in the form described in Section III above), or B) enter into an enforceable written agreement with the Board that provides for remedies if any of the Board’s assets are transferred, loaned, or otherwise invested in any ***company*** that directly or indirectly (i) has facilities or employees in the ***Republic of the Sudan*** or (ii) conducts ***business operations*** in the ***Republic of the Sudan***. Upon failure of a ***private market fund*** to fulfill its obligations under any enforceable agreement, the Board shall immediately take legal and other action to obtain satisfaction through all remedies and penalties under the law and the agreement itself. The Board shall immediately notify the ***Department*** and the ***Department*** will notify other ***retirement systems***. No other ***retirement system*** can enter into an agreement under which the ***retirement system*** directly or indirectly invests in the ***private market fund*** at issue.

## **EXHIBIT A**

### **Public Act 95-0521**

#### **DEFINITIONS:**

“*Business operations*” means maintaining, selling, or leasing equipment, facilities, personnel, or any other apparatus of business or commerce in the Republic of the Sudan, including the ownership or possession of real or personal property located in the Republic of the Sudan.

“*Certifying company*” means a company that (1) directly provides asset management services or advice to a retirement system or (2) as directly authorized or requested by a retirement system (A) identifies particular investment options for consideration or approval; (B) chooses particular investment options; or (C) allocates particular amounts to be invested. If no company meets the criteria set forth herein, then “certifying company” shall mean the retirement system officer who, as designated by the board, executes the investment decisions made by the board, or, in the alternative, the company that the board authorizes to complete the certification as the agent of that officer.

“*Company*” is any entity capable of affecting commerce, including but not limited to (i) a government, government agency, natural person, legal person, sole proprietorship, partnership, firm, corporation, subsidiary, affiliate, franchisor, franchisee, joint venture, trade association, financial institution, utility, public franchise, provider of financial services, trust, or enterprise; and (ii) any association thereof.

“*Department*” means the Public Pension Division of the Department of Financial and Professional Regulation.

“*Forbidden entity*” means any of the following:

- (1) The government of the Republic of the Sudan and any of its agencies, including but not limited to political units and subdivisions;
- (2) Any company that is wholly or partially managed or controlled by the government of the Republic of the Sudan and any of its agencies, including but not limited to political units and subdivisions;
- (3) Any company (i) that is established or organized under the laws of the Republic of the Sudan or (ii) whose principal place of business is in the Republic of the Sudan;
- (4) Any company (i) identified by the office of Foreign Assets Control in the United States Department of the Treasury as sponsoring terrorist activities in the Republic of the Sudan; or (ii) fined, penalized, or sanctioned by the Office of Foreign Assets Control in the United States Department of the Treasury for any violation of any United States rules and restrictions relating to

- the Republic of the Sudan that occurred at any time following the effective date of this Act;
- (5) Any publicly traded company that is individually identified by an independent researching firm that specializes in global security risk and that has been retained by a certifying company as being a company that owns or controls property or assets located in, has employees or facilities located in, provides goods or services to, obtains good or services from, has distribution agreements with, issues credits or loans to, purchases bonds or commercial paper issued by, or invests in the Republic of the Sudan; and
  - (6) Any private market fund that fails to satisfy the appropriate certification requirements as stated in this Divestment Policy.

Notwithstanding the foregoing, the term “forbidden entity” shall exclude companies that transact business in the Republic of the Sudan under the law, license, or permit of the United States, including a license from the United States Department of the Treasury, and companies, except agencies of the Republic of the Sudan, who are certified as Non-Government Organizations by the United Nations, or who engaged solely in (i) the provision of goods and services intended to relieve human suffering or to promote welfare, health, religious and spiritual activities, and education or humanitarian purposes; or (ii) journalistic activities.

“*Private market fund*” means any private equity fund, private equity fund of funds, venture capital fund, hedge fund, hedge fund of funds, real estate fund, or other investment vehicle that is not publicly traded.

“*Republic of the Sudan*” means those geographic areas of the Republic of the Sudan that are subject to sanction or other restrictions placed on commercial activity imposed by the United States Government due to an executive or congressional declaration of genocide.

“*Retirement system*” means the State Employees’ Retirement System of Illinois, the Judges Retirement System of Illinois, the General Assembly Retirement System, the State Universities Retirement System, and the Teachers’ Retirement System of the State of Illinois.



## Exhibit D

### IMPLEMENTATION OF PUBLIC ACT 95-616

#### IRAN DIVESTMENT POLICY

Public Act 95-616 (Act) imposes investment restrictions on retirement systems governed by Article 1 of the Illinois Pension Code. Specifically, new Section 5/1-110.10 of the Illinois Pension Code limits the investment of retirement system assets in certain companies with ties to the Government of Iran and its oil-related and mineral-extraction business sectors.

With respect to actions taken in compliance with the Act, including good faith determinations regarding companies as prescribed by the Act, the Board is exempt from any conflicting statutory or common law obligations, including any fiduciary duties under Article 1 and any obligations with respect to choice of asset managers, investment funds, or investments for the Board's securities portfolios. (40 ILCS 5/1-110.10(j)).

This Iran Divestment Policy shall serve as a guide for implementation of the Act's specific requirements.

***All italicized terms are defined in Exhibit A to this Iran Divestment Policy.***

In accordance with the Act, the following actions shall be taken:

**I.** The Board shall use best efforts to identify all *scrutinized companies* in which it has *direct holdings* or *indirect holdings* by March 30, 2008 (90 days after January 1, 2008, the effective date of the Act). In order to identify the *scrutinized companies*, the Board has discretion to use any of the following efforts: A) reviewing and relying on publicly available information regarding *companies* having *business operations* in Iran, including information provided by nonprofit organizations, research firms, international organizations, and government entities; B) contacting asset managers contracted by the Board that invest in *companies* having *business operations* in Iran; C) contacting other institutional investors that have divested from or engaged with *companies* that have *business operations* in Iran; or D) retaining an independent research firm to identify *scrutinized companies* in which the Board has *direct* or *indirect holdings*.

**II.** The Board shall assemble and adopt an official list of *scrutinized companies* at the June 2008 Board Meeting. The Board shall file the *scrutinized companies* list with the Public Pension Division (Division) of the Department of Financial and Professional Regulation within 30 days of its adoption. The Division shall make the Board's *scrutinized companies* list available to the public. Staff shall supplement the *scrutinized companies* list on an annual basis.

**III.** In respect of *companies* on the *scrutinized companies* list, the Board shall adhere to the following procedures:

A) The Board must determine which *companies* on the *scrutinized companies* list are *direct* or *indirect holdings*;

B) In respect of a *scrutinized company* with *inactive business operations*, the Board, on a semi-annual basis, must send a written notice informing the *company* of the Act and encouraging the *company* to refrain from initiating *active business operations* in Iran until it is able to avoid *scrutinized business operations*. This requirement applies to *companies* that are *direct* and *indirect holdings*.

C) In respect of a *scrutinized company* that has *active business operations*, the Board shall send a written notice informing the *company* that it is considered a *scrutinized company* under the Act and that it may become subject to divestment by the Board, due to such status. Further, the notice shall inform the *company* of its opportunity to clarify its Iran-related activities and encourage the *company*, within 90 days, to cease its *scrutinized business operations* or convert such operations to *inactive business operations*, in order to avoid qualifying for divestment by the Board.

1) If the *company* ceases *scrutinized business operations* within 90 days of the Board's first engagement, the Board shall remove the *company* from the *scrutinized companies* list.

2) If the *company* converts its active *scrutinized business operations* to *inactive business operations* within 90 days of the Board's first engagement, the *company* shall receive letters from the Board, as described above in III (B).

3) If the *company* continues to have active *scrutinized business operations* following the 90 day period, the Board shall sell, redeem, divest or withdraw all publicly traded securities of the *company* within 12 months after the *company's* most recent appearance on the *scrutinized companies* list. This requirement does not apply to *indirect holdings* in a *private market fund*. Please note that *companies* that the U.S. Government affirmatively declares are excluded from present and future federal sanctions relating to Iran are not subject to divestment.

IV. Subsequent to the Board's adoption of the *scrutinized companies* list, the Board shall not acquire securities of *companies* on the *scrutinized companies* list that have *active business operations*. This requirement does not apply to *indirect holdings* in a *private market fund*. However, please note that the Board may acquire a *company* that the U.S. Government has affirmatively declared to be excluded from its present or any future federal sanctions relating to Iran. Staff will arrange for the Board's investment managers to have access to the *scrutinized companies* list and provide this Iran Divestment Policy to guide the investment managers' investment of fund assets. If the Board purchases the *scrutinized companies* list from an independent research provider, each of the Board's investment managers will reimburse the Board for their pro rata share of the list's cost.

V. In respect of the Board's *indirect holdings* in *scrutinized companies* with *active business operations* existing within the Board's *private market funds*, the Board shall submit letters to the general partners of the applicable *private market funds*, requesting that the general partner consider removing the *companies* from the fund or create a similar actively managed fund having *indirect holdings* devoid of the *companies*. If the general partner creates such a fund, the Board shall replace all applicable investments with investments in the similar fund in an expedited time frame consistent with prudent investment standards.

VI. The Board shall file an annual report with the Division, which shall be made available to the public, discussing the following information: A) a summary of correspondence with *scrutinized*

*companies* engaged by the Board; B) all investments sold, redeemed, divested or withdrawn in compliance with the Act; C) all prohibited investments (*companies* on the *scrutinized company* list that have *active business operations*); and D) a summary of correspondence with *private market funds*.

**VII.** The Board may cease divesting from *scrutinized companies* or reinvest in *scrutinized companies*, if clear and convincing evidence shows that the value of investments in *scrutinized companies* with active *scrutinized business operations* becomes equal to or less than 0.5 % of the market value of all assets under management by the Board. If the Board decides to cease divestment, reinvest, or remain invested in *companies* having active *scrutinized business operations*, the Board must provide a written report to the Division in advance of the action and update the report semiannually thereafter, identifying the reasons and justification (supported by clear and convincing evidence) for the Board's decision to cease divestment, reinvest, or remain invested in the applicable *companies*.

This Iran Divestment Policy shall expire upon the occurrence of any of the following events: A) the U.S. revoking all sanctions imposed against the Government of Iran; B) the Congress or President declaring that the Government of Iran has ceased to acquire weapons of mass destruction and has ceased to support international terrorism; or C) the Congress or the President declaring that mandatory divestment of the type provided for in the Act interferes with the conduct of U.S. foreign policy.

**ADOPTED: December 14, 2007**

## **EXHIBIT A**

### **PUBLIC ACT 95-616**

#### **DEFINITIONS:**

"*Active business operations*" means all *business operations* that are not *inactive business operations*.

"*Business operations*" means engaging in commerce in any form in Iran, including, but not limited to, acquiring, developing, maintaining, owning, selling, possessing, leasing, or operating equipment, facilities, personnel, products, services, personal property, real property, or any other apparatus of business or commerce.

"*Company*" means any sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association, including all wholly owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates of those entities or business associations, that exists for the purpose of making profit.

"*Direct holdings*" in a *company* means all securities of that *company* that are held directly by the *retirement system* or in an account or fund in which the *retirement system* owns all shares or interests.

"*Inactive business operations*" means the mere continued holding or renewal of rights to property previously operated for the purpose of generating revenues but not presently deployed for that purpose.

"*Indirect holdings*" in a *company* means all securities of that *company* which are held in an account or fund, such as a mutual fund, managed by one or more persons not employed by the *retirement system*, in which the *retirement system* owns shares or interests together with other investors not subject to the provisions of this Section.

"*Mineral-extraction activities*" include exploring, extracting, processing, transporting, or wholesale selling or trading of elemental minerals or associated metal alloys or oxides (ore), including gold, copper, chromium, chromite, diamonds, iron, iron ore, silver, tungsten, uranium, and zinc.

"*Oil-related activities*" include, but are not limited to, owning rights to oil blocks; exporting, extracting, producing, refining, processing, exploring for, transporting, selling, or trading of oil; and constructing, maintaining, or operating a pipeline, refinery, or other oil-field infrastructure. The mere retail sale of gasoline and related consumer products is not considered an oil-related activity.

"*Petroleum resources*" means petroleum, petroleum byproducts, or natural gas.

"*Private market fund*" means any private equity fund, private equity fund of funds, venture capital fund, hedge fund, hedge fund of funds, real estate fund, or other investment vehicle that is not publicly traded.

"*Retirement system*" means the State Employees' Retirement System of Illinois, the Judges Retirement System of Illinois, the General Assembly Retirement System, the State Universities Retirement System, and the Teachers' Retirement System of the State of Illinois.

"*Scrutinized business operations*" means *business operations* that have caused a *company* to become a *scrutinized company*.

"*Scrutinized company*" means the *company* has *business operations* that involve contracts with or provision of supplies or services to the Government of Iran, *companies* in which the Government of Iran has any direct or indirect equity share, consortiums or projects commissioned by the Government of Iran, or *companies* involved in consortiums or projects commissioned by the Government of Iran and:

- (1) more than 10% of the *company's* revenues produced in

or assets located in Iran involve *oil-related activities* or *mineral-extraction activities*; less than 75% of the *company's* revenues produced in or assets located in Iran involve contracts with or provision of *oil-related* or *mineral-extraction* products or services to the Government of Iran or a project or consortium created exclusively by that government; and the *company* has failed to take substantial action; or

(2) the *company* has, on or after August 5, 1996, made an investment of \$20 million or more, or any combination of investments of at least \$10 million each that in the aggregate equals or exceeds \$20 million in any 12-month period, that directly or significantly contributes to the enhancement of Iran's ability to develop *petroleum resources* of Iran.

## Exhibit E

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. Public Act 95-0971 Disclosures

Public Act 95-0971 (the Act) amends the Illinois Procurement and Election Codes (i) to require certain "business entities" to register with the State Board of Elections; (ii) to require state bidding documents and contracts to contain language referencing a business entity's duty to register with the State Board of Elections and duty to provide a registration-related certification; and (iii) to restrict business entities from making political contributions to any political committee established to promote the candidacy of the officeholder responsible for awarding the contract on which the business entity has submitted a bid or proposal, which is the Governor in the case of the Board.

ISBI constitutes a “State Agency” under the Act. On January 30, 2008, the Board resolved to apply the Act’s requirements to the Board’s contracts.

All (i) vendors submitting bidding proposals to ISBI and (ii) vendors retained by ISBI must comply with all requirements of the Act that are applicable to the particular vendor. Please note that any contract formed between the Board and vendor is voidable for vendor’s failure to comply with the requirements of the Act.

Please read the Act carefully, as it may affect your ability to do business with ISBI. The Act may require registration and disclosures by you with the State Board of Elections, and requires specific language to be present in ISBI bidding materials and contracts. Further, the Act may restrict you from making political contributions to certain state officeholders.

DISCLOSE WHETHER RESPONDENT CONSTITUTES A “BUSINESS ENTITY” UNDER THE ACT.

**IF RESPONDENT IS A BUSINESS ENTITY, RESPONDENT MUST ATTACH REGISTRATION CERTIFICATION IN AN ATTACHMENT.**

3. 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 DISCLOSURES 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**

## Exhibit F

### Representations and Certifications:

1. \_\_\_\_\_ shall comply with all applicable laws of the State of Illinois and the United States of America, and any governmental or regulatory authority outside of the United States.
2. \_\_\_\_\_ certifies that it has not been convicted of bribery or attempting to bribe an officer or employee of the State of Illinois, nor has it made an admission of guilt of such conduct which is a matter of record.
3. \_\_\_\_\_ certifies that no finder's fee or commission has been or shall be paid to any individual or organization resulting from the establishment of this investment relationship.
4. No party may assign this Agreement, in whole or in part, nor delegate except as contemplated herein all or part of the performance of duties required of it by this Agreement without the prior written consent of the other party, and any attempted assignment or delegation without such consent shall be void.
5. If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality or enforceability of the other provisions of this Agreement shall not be affected, and there shall be deemed substituted for the provision at issue a valid, legal and enforceable provision as similar as possible to the provision at issue.
6. \_\_\_\_\_ and the Board each represents to the other that it is duly authorized and fully empowered to execute, deliver and perform this Agreement.
7. \_\_\_\_\_ certifies that is has not been barred from entering into this Agreement as a result of a violation of Section 33E-3 or Section 33E-4 of the Illinois Criminal Code of 1961.
8. \_\_\_\_\_ shall maintain, for a minimum of 5 years after the completion of this Agreement, adequate books, records and supporting documents to verify the amounts, recipients, and uses of all disbursements of funds passing in conjunction with this Agreement. This Agreement and all books, records, and supporting documents related to this Agreement shall be available for review and audit by the Auditor General; and \_\_\_\_\_ agrees to cooperate fully with any audit conducted by the Auditor General and to provide full access to all relevant materials. Failure to maintain the books, records and supporting documents required by this Agreement shall establish a presumption in favor of the State of Illinois for the recovery of any funds paid by the State of Illinois under this Agreement for which adequate books, records, and supporting documentation are not available to support their purported disbursement.
9. \_\_\_\_\_ certifies that \_\_\_\_\_ is its correct tax identification number and that the \_\_\_\_\_ is doing business as a \_\_\_\_\_.

10. Any amount of compensation due according to the terms of this Agreement for which an appropriation is required and for which no appropriation has been enacted by the Illinois General Assembly and signed into law by the Governor shall not be due and payable and this Agreement shall become null and void as to such compensation unless and until the required appropriation is made. The Board is a non-appropriated agency; however, if the Board's non-appropriated status changes, the Board will provide prompt notice to \_\_\_\_\_.
11. If \_\_\_\_\_ retains any subcontractors to perform any portion of the work hereunder, then \_\_\_\_\_ shall promptly provide notification, in writing, to the Board. \_\_\_\_\_ shall also disclose the names and addresses of all subcontractors and the expected amount of money each will receive under the contract. In addition, \_\_\_\_\_ acknowledges that if at any time during the term of the contract it adds or changes any subcontractors, it will provide notification, in writing, to the Board. For purposes of this certification, "subcontractor" does not include non-investment related professionals or professionals offering services that are not directly related to the investment of assets, such as legal counsel, actuary, proxy-voting advisory services, services used to track compliance with legal standards, and investment fund of funds where the Board has no direct contractual relationship with the investment advisers or partnerships.
12. \_\_\_\_\_ certifies that neither it, nor any of its affiliates, is participating or shall participate in an international boycott in violation of the provisions of the United States Export Administration Act of 1979.
13. \_\_\_\_\_ certifies that neither it, nor any of their affiliates (as defined in the Illinois Procurement Code), are delinquent in the payment of any debt to the State of Illinois and are not barred from entering into this Agreement under Section 50-11 or 50-12 of the Illinois Procurement Code. Further, \_\_\_\_\_ acknowledges that the Board may declare this Agreement void if the certification completed pursuant to this section is false or if the \_\_\_\_\_, or any of its affiliates (as defined in the Illinois Procurement Code), is determined to be delinquent in the payment of any debt to the State of Illinois during the term of this Agreement.
14. \_\_\_\_\_ certifies that is has not committed a willful or knowing violation of the Environmental Protection Act, is not barred from doing business with the State of Illinois under 30 ILCS 500/5-14 and acknowledges that the Board may declare the Agreement void if this certification is false.
15. \_\_\_\_\_ certifies that during the five years prior to the date of this Agreement, no officer, director, partner or other managerial agent of the \_\_\_\_\_ has been convicted of a felony under the Sarbanes-Oxley Act of 2002 or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953. \_\_\_\_\_ acknowledges that the Board shall declare this Agreement void if this certification is false.
16. \_\_\_\_\_ certifies that it does not pay dues or fees, or subsidize or otherwise reimburse its employees or agents for any dues or fees to any discriminatory club.

17. \_\_\_\_\_ certifies that it will provide a drug free workplace and will not engage in the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance during the performance of this Agreement. This certification applies to contracts of \$5,000 or more with individuals, and to entities with 25 or more employees.
18. \_\_\_\_\_ will furnish to the Board, from time to time, such evidence as the Board may reasonably request that it satisfies the foregoing requirements, and shall promptly notify the Board if it has reason to believe that any of the foregoing representations, warranties or covenants may cease to be satisfied.
19. \_\_\_\_\_ acknowledges that it is a “fiduciary” with respect to the Account assets within the meaning of Article 1 of the Illinois Compiled Statutes, Chapter 40, Act 5 and specifically agrees to perform its duties under this Agreement with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in an enterprise of like character and with like aims.
20. \_\_\_\_\_ shall notify the Board in writing within five (5) business days of any material changes in senior officers, senior personnel involved in the management of the Account, ownership, significant legal actions instituted against the \_\_\_\_\_, or any investigations, examinations, or other proceedings commenced by any governmental regulatory agency which is not conducted in the ordinary course of \_\_\_\_\_’s business.
21. \_\_\_\_\_ certifies that \_\_\_\_\_ and, to the best of its knowledge, \_\_\_\_\_’s subcontractors (if any), have complied with Illinois Executive Order 1-2007.
22. \_\_\_\_\_ certifies that \_\_\_\_\_ is not an Illinois Finance Entity as defined by 40 ILCS 5/1-110.10 [OR] \_\_\_\_\_ is an Illinois Finance Entity as defined by 40 ILCS 5/1-110.10 and has provided its servicer certification to the Board.
23. \_\_\_\_\_ acknowledges that a description of this Agreement shall be posted on the Board’s website, including the name of the organization, the total amount applicable to the Agreement, the total fees paid or to be paid under the Agreement and a disclosure, approved by the Board, describing the factors that contributed to the selection of the organization.
24. \_\_\_\_\_ agrees to disclose the names and address of: (i) \_\_\_\_\_; (ii) any entity that is a parent of, or owns a controlling interest in, \_\_\_\_\_; (iii) any entity that is a subsidiary of, or in which a controlling interest is owned by, \_\_\_\_\_; (iv) any persons who have an ownership or distributive income share in \_\_\_\_\_ that is in excess of 7.5%; or (v) any persons who serve as executive officers of \_\_\_\_\_.
25. Public Act 95-0971:
  - a. \_\_\_\_\_ certifies, in an Exhibit to any agreement between the parties, that they are not required to register as a Business Entity with the State Board of Elections pursuant to PA 95-0971 (the Act). Further, \_\_\_\_\_ acknowledges that all Contracts between State Agencies and a Business Entity that do not comply with the Act shall be voidable under the Act; or
  - b. \_\_\_\_\_ certifies, in an Exhibit to any agreement between the parties, that they have registered as a Business Entity with the State Board of Elections and acknowledges a

continuing duty to update the registration pursuant to PA 95-0971 (the Act). Further, \_\_\_\_\_ acknowledges that all Contracts between State Agencies and a Business Entity that do not comply with the Act shall be voidable under the Act.

26. \_\_\_\_\_ agrees to provide full disclosure of direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the organization in connection with the provisions of services to ISBI. Such disclosure shall be updated promptly after a medication of those payments or an additional payment.

NOTE – ADDITIONAL CERTIFICATIONS AND REPRESENTATIONS MAY BE NEGOTIATED IN ANY RESULTING AGREEMENT WITH THE BOARD.