

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

ISBI must receive proposal by:

Medium for receipt of proposal:

EMAIL

ISBI Recipient Email:

Linsey.Schoemehl@illinois.gov

ISBI Analyst:

**Linsey Schoemehl
Investment Compliance Officer**

Attachments:

General Information:

The Illinois State Board of Investment (“ISBI” or 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 \$8 billion as of March 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>.

All proposals must be received no later than _____, 2009 at 3:00 P.M., CST. Respondents must email the proposal and other related documentation to Linsey.Schoemehl@illinois.gov. Any proposal received after the due date and time will not be considered.

All inquiries and requests for information related to this Request for Competitive Proposal (“RFP”) must be submitted in writing via e-mail to Ms. Linsey Schoemehl, Investment Compliance Officer, at Linsey.Schoemehl@illinois.gov no later than _____, 2009, 3:00 P.M. CST. ISBI reserves the right to judge whether responses to requests for information should be distributed to all the Respondents who are known to have received a copy of the original RFP.

If it becomes necessary to revise any part of this RFP, or if additional information is necessary for a clarification of provisions within this RFP prior to the due date for proposals, a supplement will be provided to all Respondents. If a supplement is necessary, the Investment Compliance Officer 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 any agreement is awarded and after successful negotiation of such agreement, proposals 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 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. 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 does not agree that the information designated by the Respondent is confidential under one of the disclosure exemptions to the Illinois Freedom of Information Act, 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.

ISBI is not responsible for any costs incurred by the Respondents in responding to this RFP.

Description of Goal to be achieved through the Request for Competitive Proposal:

ISBI is seeking proposals from qualified organizations to provide general information on investment advisory services. ISBI reserves the right to contract for all, any part or none of the services requested.

Description of Investment Advisory Services to be performed:

The purpose of this RFP is to solicit proposals from one or more qualified organizations to provide investment advisory services. Neither this RFP nor any response (proposal) submitted hereto are to be construed as a legal offer.

Description of ISBI's need for the Investment Advisory Services:

ISBI is issuing this RFP for _____.

Description of qualifications necessary for the provision of Investment Advisory Services to ISBI:

Minimum Qualifications.

The organization must meet all of the following minimum qualifications to be given further consideration. Failure to satisfy each of the minimum qualifications will result in the immediate rejection of the proposal. The responses must contain sufficient information as prescribed to assure ISBI of its accuracy. Failure to provide complete information will result in the rejection of the proposal.

- 1) Demonstrate proof of experience of advisor in investing under prudent person standards.
- 2) Demonstrate proof of qualifications, experience and depth of professional staff.
- 3) Demonstrate proof of soundness of your organization's investment advisory philosophy and process.

4) Acknowledge that your organization has reviewed the provisions contained in *Exhibit II* and has agreed to include those provisions within any contract formed between the parties. These provisions are not exhaustive and other state certifications and representations will be included in any agreement executed by the Board. A list of these certifications and representations may be found on the Board's website via its uniform documents.

Description of Plan for Post-Performance Review

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

Additional Competitive Proposal Requirements

Requirement #1: The allocation for this _____ search will be approximately _____. Per Marquette Associates' Separate Account Fee Study¹, the top quartile fee for an allocation of this size and asset class is _____ basis points. **To be considered for this search, your fee must be at or below this fee.**

Requirement #2: ISBI Staff will monitor the use of Illinois brokers by the Board's investment advisors and report the results to the Board on a quarterly basis. If an advisor reports less than 25% of trades through an Illinois broker and less than 15% through a minority broker, the Staff will require the advisor to report in writing the reason for the shortfall, at which time the Board will decide if the advisor's practices are in accordance with the policy. **To be considered for the search, you must direct at least 25% of trades through Illinois based brokers and 15% of trades to minority brokers.** Please see *Exhibit III* for a complete definition of the minority portion of the policy and a list of said brokers.

Requirement #3: All investment advisor contracts require a "Most Favored Nations" fee status which will be verified once per year.

Requirement #4: *Exhibit I* Vendor Disclosure Policy. Please provide all necessary disclosures for Vendor Disclosure Policy #s 1, 2 and 3.

Requirement #5: If retained, the organization must agree to the provisions contained in *Exhibit II*; however, this list is not exhaustive. Certain state certifications and representations will be included in any agreement executed by the Board. A list of these certifications and representations may be found on the Board's website via its uniform documents (<http://www.isbi.illinois.gov/Publications.htm>).

Requirement #6: Investment Policy Guidelines. Please read for familiarity and note that the policy is subject to change. The investment policies vary by mandate and can be found in the Annual Report on the Board's website (<http://www.isbi.illinois.gov/Publications.htm>).

¹ Source: www.eVestmentAlliance.com

Requirement #7: If retained, the investment advisor must acknowledge, in writing, that he or she is a fiduciary with respect to the Board.

Requirement #8: Exhibit IV Sudan Divestment Policy pursuant to Public Act 95-0521. Please read for familiarity and instruction.

Requirement #9: Exhibit V Sudan Certifications pursuant to Public Act 95-0521. If retained, this certification will need to be executed.

Requirement #10: Exhibit VI Iran Divestiture Policy pursuant to Public Act 95-616. Please read for familiarity and instruction.

Requirement #10: All investment advisors, in conjunction with the Board's Staff, will be required to submit periodic written reports, on at least a quarterly basis, for the Board's review at its regularly scheduled meetings. All returns on investment shall be reported as net returns after payment of all fees, commissions, and any other compensation.

Requirement #11: The investment advisor must be a registered investment advisor with the SEC under the Investment Advisors Act of 1940. In addition, please provide the Board with a full copy of the latest Form ADV.

Board RFP Procedures

- 1) Notice shall be placed in the State newspaper and in one or more industry periodicals at least 14 days before the response to the proposal document is due. Notice will also be provided to the Board's universe of proxy service providers.
- 2) All interested organizations shall return their responses to the Board's investment staff, as directed by the proposal document. Staff shall open the responses, record them and thoroughly review each for content, quality and compliance with proposal document requirements. Staff shall compile a list of all respondents to the competitive proposal process.
- 3) Following review and evaluation of the responses from interested organizations, the field of candidates is narrowed to a smaller list of the most highly qualified organizations. At this point, the Board's investment staff meets with representatives of each organization to obtain an independent assessment of the organization's capabilities, which shall include a demonstration of the organization's voting and research software/platform capabilities.
- 4) Following the interviews with the selected organization(s), the Board's investment staff recommends to the Board one or more organizations for engagement.
- 5) The Board accepts or modifies the recommendation and makes the final decision with respect to the engagement, if satisfied with the organizations capabilities.

ISBI shall post the name(s) of the successful respondent(s) 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 organization.

Organization

- 1) Please provide the organization's name, as well as the name, title, address, phone number, fax number, and email address of the individual who will be serving as our primary contact on the account.
- 2) What year was your organization established?
- 3) Please give a brief history of your organization and discuss the general ownership structure.
- 4) Have there been any changes in the ownership structure of your organization in the past five years? If yes, please explain in detail.
- 5) Please provide brief biographies of the investment management team for the product.
- 6) Are the investment professionals under employment contracts with the organization?
- 7) Please discuss the compensation plan of the investment professionals.
- 8) Is your organization represented by any third party organization or individual whose purpose is marketing and/or gathering assets for the organization and are compensated as such? If so, list all relationships and their nature.
- 9) Will any third party or individual be compensated if your organization were to win the ISBI allocation?
- 10) Are you a registered minority (at least 51% minority owned) investment advisor? If so, please attach registration.

Compliance and Trading

- 11) Are you a registered investment advisor? Please attach Forms ADV I and II.
- 12) Has there been any litigation involving your organization in the past five years? If yes, please attach a detailed review.
- 13) Do you have any pending litigation where the organization is the defendant, or any SEC or NASD actions past, present, or pending?
- 14) Describe your organization's trading methodology. What systems/processes does your

organization utilize to minimize trading costs? Who is responsible for trading the product - portfolio managers or dedicated traders?

- 15) Do you have any clients with a minority directed brokerage program or unique trading requests?
- 16) If answered "Yes" to question 15, what are the program requirements?
- 17) Do you feel these requirements detailed in question 15 hinder your ability to manage the portfolio effectively? If so, please explain in detail any issues that arise. Please provide **quantitative and qualitative** data to support your argument(s).
- 18) Please provide any comments about unique ideas to creatively implement a minority trading program.
- 19) In the last calendar year, what was the cents/share commission on trades for this product? Do you anticipate this cost going up or down in the future?
- 20) Please submit your organization's policy on soft dollar trading.
- 21) If your organization utilizes soft dollar, please list the top five brokers utilized in the **last calendar year**:

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

Item:	Soft Dollar Amount:

Investment Process

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

- Top-down versus bottom-up analysis, if appropriate
- Initial stock universe/benchmark
- Liquidity criteria

- Credit Research
- Security selection criteria
- Buy/sell decision
- Sector weightings
- Number of portfolio holdings
- Duration positioning
- Yield Curve positioning
- Currency decisions

24) Please provide the closest estimate of the decision making process of the product by weighting the following factors:

	Percent
Credit Research	
Duration	
Economic Outlook	
Sector Selection	
Security Selection	
Total	100%

- 25) Has there been a time when the product significantly underperformed its benchmark over a consecutive three-quarter period? If so, please explain.
- 26) Have there been any changes to the product's investment process over the past five years? If yes, please describe in detail.
- 27) Please discuss your risk analysis and control methodology.
- 28) Are sector weightings determined relative to a benchmark? If so, which benchmark and what is the range relative to the benchmark?
- 29) Will there ever be a time when a sector is not represented?
- 30) Please discuss your assessment of the current market outlook and how your organization plans to provide superior performance for clients in the years ahead.
- 31) What distinguishes your organization from other investment advisors with respect to this product?

Performance

- 32) Are compliant with GIPS® Standards? If yes, has it been audited recently? If yes, please provide the most recent verification letter.
- 33) Against what benchmark is the product evaluated? Do you feel this is the

appropriate benchmark or would you prefer an alternate benchmark? If so, please discuss.

- 34) Please discuss your organization's target expected return for this product, gross of fees, over the specified index over a three- and five-year period.

Miscellaneous

- 35) What is the minimum account size for a separately-managed portfolio for this product?
- 36) What other fund options exist, i.e. commingled or mutual funds?
- 37) What is the fee schedule on the product for a separate account?
- 38) Illinois Minority Broker Listing, which can be found on the Board's website (<http://www.isbi.illinois.gov/Publications.htm>).

Exhibit I

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.

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 state constitutional officers. 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 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.

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.

Further, the bidding entity must disclose whether any of the following relationships, conditions or statuses apply 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.

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.

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 II

Representations and Certifications:

- 1) If the organization retains any subcontractors to perform any portion of the work hereunder, then the organization shall promptly provide notification, in writing, to the Board. The organization shall also disclose the names and addresses of all subcontractors and the expected amount of money each will receive under the contract.
- 2) The organization 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.
- 3) The organization agrees to disclose the names and addresses of: (i) the organization; (ii) any entity that is a parent of, or owns a controlling interest in, the organization; (iii) any entity that is a subsidiary of, or in which a controlling interest is owned by, the organization; (iv) any persons who have an ownership or distributive income share in the organization that is in excess of 7.5%; or (v) any persons who serve as executive officers of the organization.
- 4) Public Act 95-0971:
 - a. The organization 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, the organization 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. The organization 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, the organization acknowledges that all Contracts between State Agencies and a Business Entity that do not comply with the Act shall be voidable under the Act.
- 5) The organization 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 provision of services to ISBI. Such disclosure shall be updated promptly after a modification of those payments or an additional payment.

Exhibit III

Minority Brokers and Money Managers Policy:

Policy Objective

It is the policy objective of the Illinois State Board of Investment to increase access and business with state certified, minority-owned brokers and investment managers. The Board shall be proactive in its intent to include minority-owned organizations that have documented state certification and an operating office located in Illinois. The term a minority will be used for all organizations as defined in the Illinois Business Enterprise for Minorities (Black/African American, Asian American, Hispanic, Native American or Alaskan Native), Females, and Persons with Disabilities Act. 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 Illinois State Board of Investment 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 Fund's assets to state certified minority managers will be made in accordance with the fiduciary standards under which the Fund operates. Broker/dealer transactions completed with state certified, minority organizations on behalf of the Fund must be completed at rates fully competitive with the market.

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 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 20% 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 organizations.

ADOPTED: September 21, 2001

AMENDED: October 24, 2003

AMENDED: June 22, 2005

AMENDED: July 11, 2008

AMENDED: March 20, 2009

Exhibit IV

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 Public Act 95-0521, which can be found at the Illinois General Assembly's website (<http://www.ilga.gov/>).

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 organization 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 organization 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 3rd quarter (via a reduction in the management fee owed to each investment manager on the 3rd 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 fiducially 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 fiducially 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 organization, 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 recognizes 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 V

CERTIFICATION FOR ASSET MANAGING COMPANIES

Illinois Act to End Atrocities and Terrorism in the Sudan (Public Act 95-0521)

_____, an asset management company, in good
(CONTRACTOR)

faith certifies to _____, that:

(1) provided under Section 1-110.6 of the Illinois Pension Code, in respect of investments in publicly traded companies, the CONTRACTOR has relied on information provided by an independent researching organization that specializes in global security risk; and (2) 100 % of the fund assets for which the CONTRACTOR provides services or advice are not and have not been invested or reinvested in any forbidden entity at any time as of December 28, 2007.

This certification is submitted on behalf of

(CONTRACTOR)

Official authorized to sign on behalf of CONTRACTOR:

Name (printed) _____

Title _____

Signature _____

Date _____

Exhibit VI

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 Public Act 95-616, which can be found at the Illinois General Assembly's website (<http://www.ilga.gov/>).

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 organizations, 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 organization 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 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 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

