

Office of the Illinois State Treasurer  
Michael W. Frerichs

Request for Proposals Investment Grade Corporate Credit Emerging Manager  
370-500-17-003

Addendum 1  
October 11, 2016

Below are the questions received by the Office of the Illinois State Treasurer (“Treasurer”) and the Treasurer’s responses. Any capitalized terms that are not defined herein have the meaning set forth in the Request for Proposals Investment Grade Corporate Credit Emerging Manager (370-500-17-003) (“RFP”) published by the Treasurer on September 23, 2016.

1. The following questions are related to Appendix A – The Investment Policy Statement for the State’s Investment Portfolio
  - A. **Section 2.4 Socially Responsible Investing** - Will the criteria to implement this objective be determined before this mandate is awarded and if so what will that entail from an investment portfolio perspective?

The environmental, social, and corporate governance (“ESG”) criteria are still in development and will not be completed prior to award of the contract. The Treasurer will discuss application of the ESG criteria with the Contractor.
  - B. **Section 6.0 Investment Restrictions** - All qualified corporate bond issuers must have a corporate headquarters, corporate office, or operating location in the State of Illinois... or the issuer must have a significant economic presence in the State of Illinois as determined by the Treasurer. Will the State provide/define this specific subset of the investment grade (9 months to 5 year maturity) corporate universe?

No, the Treasurer will not be providing the specific Illinois corporate bond universe. The Treasurer will provide the Contractor guidance on how to determine if a corporation meets the Illinois presence requirement and work with the Contractor to make such determinations. The Treasurer can also provide the Contractor, if requested, a list of corporations that have already been found to have an Illinois presence.
  - C. **Section 8.0 Diversification** - Please comment on the laddered maturity framework for investments, is this a purchase (buys) guideline and is this tracked monthly?

Section 8.0 of the Policy applies to the State Portfolio as a whole and will not apply to the Contractor.

- D. Section 10.0 Internal Controls - Competitive Bidding:** Authorized investment officers shall obtain competitive bids from at least three broker/dealers prior to executing the purchase or sale of any authorized investment. Given the ebb and flows of liquidity in the investment grade corporate bond trading, is this a requirement for trading at the investment manager level?

Section 10.0 of the Policy applies to the internally managed portion of the State Portfolio and will not apply to the Contractor.

2. If a manager has filed with its state for “emerging manager” status but has not yet received its certification, can they still respond to the RFPs?

Yes, Respondents may submit a Proposal if they haven’t received a certification from their own state, however they must qualify as an “emerging investment manager,” as defined by 30 ILCS 575/4f.

3. Can the investment mandate grow from the original \$50 million?

The mandate is for \$50 million and will be evaluated on a continual basis. We cannot state for certain that the mandate will grow beyond \$50 million.

4. In the scoring portion of “Illinois Presence,” would managing large mandates in the State of Illinois garner points?

Points will be awarded for Illinois Presence based on the answers the Respondent provides to the Illinois presence questions in Section V.B.27 through 28 of the RFP. The Evaluation Team shall award a higher Illinois Presence score to Respondents (including subcontractors) that have demonstrated presence by the number of full-time employees, or employees who spend more than half their time in Illinois, and physical offices located in the State.

5. Is ESG investing required?

Please see the response to question 1.

6. Does the restricted companies list stay constant or will it change periodically?

The restricted companies list can change occasionally.

7. Is there a preference for an Illinois based investment manager?

The degree to which a Respondent has an Illinois presence is worth a maximum of 5 points out of a total possible of 105 points.

8. In regard to the Request for Proposals for Investment Grade Corporate Credit Emerging Manager 370-500-17-003, could you confirm if all five or one of the 5 criteria has to be met under Section II Background which states, “Pursuant to 15 ILCS 520/22.5 (as amended by P.A. 99-0856), the Treasurer is authorized to purchase obligations of either corporations or limited liability companies organized in the United States with assets exceeding \$500,000,000, if the following criteria are met:

Pursuant to 15 ILCS 520/22.5 (as amended by P.A. 99-0856), the Treasurer is authorized to purchase obligations of either corporations or limited liability companies organized in the United States with assets exceeding \$500,000,000, if the following criteria are met:

- A. The corporation or limited liability company has a significant presence in the State of Illinois;
- B. The obligations are rated at the time of purchase at one of the three (3) highest classifications established by at least two (2) standard rating services;
- C. The obligations mature more than 270 days, but equal to or less than five (5) years, from the date of purchase;
- D. The purchases do not exceed 10% of the corporation's or the limited liability company's outstanding obligations; and
- E. The corporation or the limited liability company has not been placed on the list of restricted companies by the Illinois Investment Policy Board under Section 1-110.16 of the Illinois Pension Code.

Yes, all five (5) of the criteria listed above must be met.

Please e-mail Chief Procurement Officer Jim Underwood at [junderwood@illinoistreasurer.gov](mailto:junderwood@illinoistreasurer.gov) with questions regarding this addendum or the RFP.