

**Illinois State Board of Investment ("ISBI")
Requests for Clarification and Responses**

457(b) Plan Recordkeeping, Administration, & Custody Services Provider RFP

17-May-21

#	Question	Response
1	Your call volume has increased over the last 3 quarters (with about a 2700 call difference from Q1 2020 to Q1 2021). Is there any reason for the increase?	The precise cause of rising call volume has not been studied. However, there were several changes in 2020 that likely contributed: - Implementation of automatic enrollment for new state and agency employees. - Implementation of an online enrollment and salary deferral change process at the recordkeeper. (Previously these processes were conducted via a paper form at the Department.) - Ongoing effects of the pandemic / market volatility and Coronavirus Related Distributions (CRDs)
2	Please share your average handle time from Q1 2020 to Q1 2021.	This information is not readily available.
3	Do you offer web chat today? If so, please share your quarterly volumes. If not, is this something you would like to introduce?	A web chat feature is currently available. Information on participant usage is not readily available.
4	What is the approximate annual volume of paper beneficiary forms you receive and process?	All new beneficiary designations are made electronically on the recordkeeper's system. The Department maintains legacy paper beneficiary forms.
5	Do any other groups require special handling besides beneficiaries/survivors? If so, please explain.	ISBI believes that alternate payees may also be considered to be subject to "special handling" at this time. Forward-looking procedures regarding alternate payees is expected to be discussed as part of the RFP process.
6	Please provide the annual volume of POAs that are submitted and processed? Will you be able to transfer the current POAs to the new recordkeeper?	The Plan has averaged 33 POA requests annually over the past four years (2017-2020).
7	What are your current VRU capabilities? Please share types of transactions or information content available today as well as any associated volumes.	The current voice response system allows participants to perform PIN resets and retrieve some basic account information (such as total balance, balance by fund, available loan amount, confirm contribution amount, confirm investment elections). There are no transactional capabilities currently. Information on participant usage is not readily available.
8	Do participants have an email address and/or phone number on file?	The State currently provides a home phone number on the indicative data file as available. At this time, email addresses are not passed along on the indicative data file. Participants are requested to add an email address on the recordkeeping system at the time that the online account is established. ISBI is open to discussing the provision of email addresses and other contact information as part of the RFP process.
9	Do you currently offer managed accounts and advice? If so who and what is the participation?	Managed accounts are not currently offered. ISBI does not anticipate offering managed accounts as part of this RFP process; however, basic information regarding managed accounts capabilities is being requested as part of the due diligence process.
10	Do you currently have any financial wellness or retirement readiness? If so, what is the participation?	ISBI is currently exploring financial wellness and retirement readiness programs but has not yet implemented any. ISBI is interested in exploring such programs as part of this RFP process.
11	Education and marketing – What is working what isn't working? Do they have set education days? What is the annual statistics on one on one, group meetings held?	ISBI is interested in exploring methods to enhance participant communications. Two areas of focus are improving retirement readiness and providing communications that encompass all governmental benefits available and frame the role of the DC plan within the context of those benefits. The current recordkeeping contract includes 50 education days. ISBI is asking for pricing considering the same count of educational days but is interested in exploring alternative approaches to align with current best practices. Statistics on current educational day usage are not currently available.

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12	Payroll- centralized payroll - Can you provide more clarification on what is typical in your daily payroll feed? Should we assume 365 payroll days a year?	The Illinois Office of the Comptroller processes payrolls nearly every business day of the year. They do not process payrolls on weekends or holidays. Respondents should estimate payroll will be processed on approximately 250 days per year.
13	You have a few questions around a brokerage window. Do you offer one currently and can you provide detail around utilization and set up on what can and cannot be invested in?	A self-directed brokerage window is not currently offered. ISBI does not anticipate offering a brokerage window as part of this RFP process; however, basic information regarding self-directed brokerage capabilities is being requested as part of the due diligence process.
14	It states that loans are paid back thru ach and not thru payroll deduction. Is this the only repayment method or are open to payroll deduction and other methods?	Ongoing loan repayments are currently only available through ACH, and loan payoffs can be accomplished through ACH, certified check, cashier check, or money order. Loan repayments via payroll are currently not available due to State payroll system limitations, and it is unlikely that the ability to process loan repayments via payroll will be added going forward. ISBI is open to discussing Respondent best practices regarding non-payroll loan repayments.
15	While there may not be an intention to make plan design changes, #54 on page 22 says you would prefer a partner who is proactive with recommendations on plan design and administration.	
	What positive changes do you expect, and look forward to, with the transition to a new recordkeeper after being with your current recordkeeper for such a considerable amount of time?	Please see page 4 of the RFP "B. Purpose" for information on ISBI's goals for the search process.
	What changes do you believe your employees would find the most helpful?	ISBI believes that additional engagement would be beneficial to employees. Please see response to question 11 for more information.
	What have you found to be most successful for engaging your participants?	ISBI has not historically measured engagement success, and there currently is no data that can be used to identify the most successful engagement strategies. Increased employee engagement is desired, and ISBI is interested exploring various methods for measuring participant engagement and assessing success going forward.
	What are your communication and education goals in the first year after transition? Ongoing?	ISBI asks for each Respondent to put forward its best practice approach for communication and education that meets the State's goal of ensuring retirement readiness for employees. ISBI has requested 50 onsite educational days as part of this RFP process but is open to discussing and exploring alternative models identified as best practices given the Plan's structure. Given the large employee population in varying geographies, a holistic, multi-channel approach that can take into account the various benefits offered to State employees is expected to be desired.
	Similarly, what kind of offering are you looking for outside of managed accounts, as it applies to providing participants guidance vs. advice? Are you looking to add an offering like conflict-free point-in-time advice for your participants?	ISBI is interested in exploring point-in-time investment advice and financial planning support services that might be available as part of a Respondent's approach to communication and education. Respondents are asked to provide additional details on the provision of such services, including potential conflicts of interest, structure, and economic considerations.
16	Please describe your administration structure – is it centralized to a single point of contact? How many day-to-day contacts will there be?	There are currently three individuals at the Department that interface with the recordkeeper on a day-to-day basis. A representative of ISBI is also in regular contact with the recordkeeper.
17	Confirm that along with there being a single source for payroll files, that communication regarding payroll is also centralized to one or two contacts.	Communications concerning the processing of participant contributions is limited to two individuals at the Department. The recordkeeper does not generally correspond with representatives from the individual Pay Agencies.

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18	Understanding that there are 104 total indicative files sent annually, what is the total number of financial files expected to be remitted annually with each frequency?	Please see response to question 12.
19	With there already being a single source for payroll submissions to the recordkeeper, have there been any discussions to streamline your payroll process by consolidating the various agencies to have a single financial file per frequency? (i.e. one weekly, one biweekly, one monthly)	There is an ongoing initiative for the State to transition to a new payroll system; there is no estimated implementation date at this time. However, even with such a transition, it is not anticipated that the Comptroller's Office would be able to consolidate their payroll runs, nor is ISBI or the Department aware of any discussion regarding the consolidation of payroll schedules as part of the above initiative.
20	Understanding that ISBI works to have all participant communications be handled electronically, unless affirmatively elected by the participant, will employer-provided email addresses that meet the DOL electronic delivery guidelines be provided on the payroll file for every employee?	The State currently provides a home phone number on the indicative data file as available. At this time, email addresses are not passed along on the indicative data file. Participants are able to add an email address on the recordkeeping system currently. ISBI is open to discussing the provision of email addresses and other contact information, as available, as part of the RFP process.
	What is the percentage of participants who have adopted electronic delivery?	This information is not readily available. However, approximately 44,309 participants have an email address on file currently.
21	Regarding your automatic enrollment provision and administration, how many participants have requested a permissible withdrawal?	Since the implementation of auto-enrollment for participants hired after July 1, 2020, there have been 18 requests for a permissible withdrawal to date.
22	Specific to your plan level annual automatic escalation: •Is this an automatic increase that participants can affirmatively opt-out of one time, •Or is this an annual plan directed escalation/re-enrollment required for all participants	A contribution automatic escalation feature is not included in the Plan today. There is legislation pending in the Illinois State legislature (SB1675 of the 102nd General Assembly) that would permit and introduce an auto-escalation feature for participants who are subject to auto-enrollment. As with auto-enrollment, participants will be allowed to opt out of the proposed increase. At present, the proposed language of the bill would grant ISBI discretion as to the implementation timing and features of an auto-escalation provision.
23	What are the expectations regarding the information received from the State Universities Retirement System (SURS) Deferred Compensation Plan as detailed in #32 on page 18?	ISBI expects that the required information would be provided on a periodic basis as necessary. Currently, the file is being sent daily by secure FTP.
24	Please confirm that #79 on page 24 refers to communications that are not included in our automation such as annual discretionary campaigns and/or non-standard notices.	ISBI expects that standard communications would be subject to an initial review and approval as part of the implementation process and may conduct additional periodic reviews to ensure that ongoing communications continue to meet the needs of the Plan. Non-standard notices would be reviewed and approved prior to issuance.
25	Are there any liquidity concerns we need to be aware of such as puts/MVAs? If so, please provide further details.	Plan sponsor directed withdrawals from the Stable Return Fund require a 12 month irrevocable notice period, which can be waived if there is a market value adjustment.
26	It appears the State of Illinois Stable Return Fund managed by Invesco is a Separately Managed Account. Provide the underlying funds (with tickers/CUSIPs) for each of the six wrapped holding contracts, as well as the cash buffer/unwrapped holdings, with Northern Trust.	Correct, the Stable Return Fund is a separately managed account. The underlying fixed income investments are allocated among 9 fixed income Collective Investment Trusts held within each of the 6 wrap contracts. The fixed income CITs are not accounted for as part of the Northern Trust custody. The cash buffer/unwrapped portion is held in Northern Trust Government STIF, CUSIP: 1959998J9
	Is there an interest in adding a proprietary fund of the chosen recordkeeper to the wrapped funds of the SMA?	Stable Return Fund sub-advisors are up to the discretion of Invesco as the program manager.
27	Does the plan currently utilize self-directed brokerage? If so, can you please provide the number of participants and assets enrolled for this service? If not, are you considering adding this feature?	Please see response to question 13.

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28	What is the frequency of the COLA Rollovers? Are they sent in a batch at a specific frequency (i.e. monthly, quarterly), or are they processed like a standard rollover once reviewed and approved by the plan sponsor? What form of payment is expected? (e.g. lump sum, installments over set period of time, etc.)	COLA Rollovers are processed approximately every two to three months by the pension system. COLA Rollovers are a one-time lump sum contribution into the Plan. Once the money has entered the plan, it is eligible to be used for any of the Plan distribution options that the participant is otherwise eligible to receive.
29	What is the average annual number of participants, and respective assets, who transfer their assets to purchase prior service credit, as detailed on page 10?	Over the past four years (2017-2020), there have been an average of 462 service credit purchases, with an average annual value of \$4,730,580.
30	In addition to the plan data provided in Table One of the RFP, please fill out the following table.	
	Cash Flow	
	2020 Employee Contributions	\$171,065,685 (includes pre-tax and Roth)
	2020 Rollover Contributions	\$49,451,711
	2020 Withdrawals	\$314,208,769 (does not include loan withdrawals)
	2019 Employee Contributions	\$162,439,863 (includes pre-tax and Roth)
	2019 Rollover Contributions	\$49,083,367
	2019 Withdrawals	\$320,607,503 (does not include loan withdrawals)
	2018 Employee Contributions	\$161,014,757 (includes pre-tax and Roth)
	2018 Rollover Contributions	\$54,520
	2018 Withdrawals	\$266,556,607 (does not include loan withdrawals)
	Avg. Number of Annual Transactions	Responses reflect 2018-2020 annual average
	Distributions	7,424 (includes partial and total distributions)
	In-Service	2,349
	Hardships	277 (does not include 2020) 225 (includes 2020)
	Installments	14,777
	Loan Initiations	1,794
	RMDs	5,126 (Note, represents participants with an RMD that needed to be fulfilled. This includes participants who would have had an RMD in 2020 had they not been waived by the CARES Act.
	COLA Rollovers	216
31	Provide your average annual turnover rate.	This information is not readily available.
32	We have a robust plan sponsor website that gives our clients access to a large variety of reports on-demand. Do you need to request custom reports to be created each month by your current provider? If you do, could you share examples of the reports for our review?	The Department reviews a variety of reports on a regular basis in order to complete its responsibilities. The Department is flexible as to the formatting of most reports as long as the necessary information can be provided in a timely and effective manner. Reporting current requested on a regular basis includes: - Weekly reports on all distributions, loans, hardship distributions, and beneficiary elections - Monthly reports on all active participants with a balance, plan participation rates, and all participant contribution rates/amounts elected. - Periodic reports on auto-enrollment utilization (i.e., how many participants were automatically enrolled, established a different rate, or opted out of the Plan.) - Periodic trial balance reports - Periodic reports detailing all rollovers in and rollovers out - Periodic reports of all fees extracted from participant accounts - Reporting on total contributions to the Plan.

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33	Investments: Please provide CUSIPs for CITs and Stable Value investments, where applicable.	<p>Please see response to question 26 for information regarding the Stable Return Fund.</p> <p>CUSIPs for the Target Retirement Funds and Asset Class Funds are provided below. Please note that the asset class funds have custom CUSIPs for the Plan.</p> <ul style="list-style-type: none"> •US Large Company Stocks Fund: 09260L307 •US Small/Mid Company Stocks Fund: 09260L406 •Non-US Company Stocks Fund: 09260L208 •Bond Fund: 09260L505 •Target Ret 2015 Tr Sel: 92204E308 •Target Ret 2020 Tr Sel: 92204E407 •Target Ret 2025 Tr Sel: 92204E506 •Target Ret 2030 Tr Sel: 92204E605 •Target Ret 2035 Tr Sel: 92204E704 •Target Ret 2040 Tr Sel: 92204E803 •Target Ret 2045 Tr Sel: 92204E886 •Target Ret 2050 Tr Sel: 92204E878 •Target Ret 2055 Tr Sel: 92204E860 •Target Ret 2060 Tr Sel:92204E852 •Target Ret 2065 Tr Sel:92202V112 •Target Ret Income Tr Sel:92204E100
34	Investments: Does the plan wish to white label the CITs?	Each of the investment options is currently white labeled. White label fund names are provided in the first column of Table 3 in the RFP. ISBI expects to maintain the existing white label names for each of the investment options.
35	Investments: Multiple level question on the Stable Value Fund.	
	Does Invesco manage ALL wrap contracts?	Invesco is responsible for selecting and maintaining each of the underlying Stable Return Fund wrap contracts.
	What is the CUSIP for the Stable Value fund(s)?	The Stable Return Fund is a custom separate account; no CUSIP is available.
	What is the legal structure of the Stable Value investment a Separate Account?	Correct, the Stable Return Fund is a separately managed account.
	What role does the current recordkeeper have in administering the Stable Value investment? How is the Stable Value investment traded? Rate-based where the rate is provided to us on a recurring basis?	The recordkeeper currently receives a daily rate from Invesco, via a report, that is updated to the recordkeeping system. The recordkeeper is responsible for sending daily participant activity to Northern Trust, as the custodian, via a transmission.
36	Auto Enrollment: Who provides the notices to employees?	Participants are provided with an enrollment brochure by their HR representative upon being hired, which includes information regarding auto-enrollment. A notice is also sent once the participant is received on the recordkeeping system.
37	Auto Enrollment: Is the 'transfer' to TDF after 90 days in SV done on a rolling basis or at a specific point in the month/quarter?	The transfer is currently processed on a rolling basis based on the date that a participant is auto-enrolled in the Plan.
38	Auto Enrollment: Are participants reminded ahead of time that this transfer/allocation change will take place?	Once participants are auto-enrolled, they are sent a postcard with information regarding the Stable Return Fund to Target Retirement Fund transfer/investment allocation change.
39	Payroll: How many Pay Agencies are in place today?	<p>There are currently 23 Pay Agencies (payroll systems) that send files consolidated by CMS. It is estimated that they encompass approximately 91 various Agencies, Universities, Board, and Commissions of varying sizes.</p> <p>It is not expected that the recordkeeper would interface with these Pay Agencies directly. All contributions and confirmation are handled through the Department.</p>
40	Payroll: Are payroll files submitted to the recordkeeper separately by Pay Agency or consolidated at the State level?	The Department consolidates employee contributions by payroll schedule and sends them to the recordkeeper.

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41	Payroll: Are full files submitted to recordkeeper or just status changes and contributions?	The HR indicative data file contains all active employees, not just those employees with status changes. Each payroll contribution file contains just those employees with contributions on that day.
42	Payroll: Are there any legacy loans on payroll deduct, or 100% ACH?	There are no payroll loan deductions in place for any participants.
43	Payroll: Does the Loan Program follow a standard delinquency/default process?	The end of the cure period is defined as (1) the last business day of the calendar quarter following the calendar quarter in which the payment was missed or (2) the date the benefits are distributed to the terminated participant either through a total distribution, partial distribution, or election of installment payments.
44	Payroll: Are any outstanding loans remitted via coupon/check? If so how many?	Please see response to question 14.
45	Administration: What percentage of participant statements are mailed?	As of the statements produced for March 31, 2021, approximately 62% were paperless and 38% were sent via paper mail.
46	Administration: What is the current process for participants to self-certify that they do not have another outstanding loan through any other State-sponsored program?	The participant contacts the recordkeeper via phone or online to request a loan. If the participant meets the rules for loan eligibility and self-certifies (through a series of yes/no questions) the number of loans outstanding across all retirement plans associated with the State of Illinois and the highest outstanding loan balance with each loan in the last 12 months for any plan loan that was held at any provider outside of the Plan's recordkeeper, then the recordkeeper is permitted to allow the loan modeling or request to go through based on the information certified by the participant.
47	Is ISBI willing to provide an extension to the RFP submission deadline?	Yes, ISBI will extend the RFP submission deadline to Thursday, June 3 at 5pm ET. An updated RFP document reflecting this change has been posted.
48	We noted that 50 onsite education days were requested as part of the RFP. Our best practice approach might suggest that a different number of days would be most effective for the Plan. Would ISBI like proposals to include just 50 days, or will alternative proposals for additional education days be considered? If so, how should we respond?	All proposals should assume the provision of 50 education days as the base case and should discuss additional fees, if any, and application method (e.g., included in the core recordkeeper fees or a per meeting or per meeting day fee) as part of your response to Q16 of the your Fee Proposal response. Proposals for an alternative amount of meeting days to achieve a best practice approach, or various incremental counts of meeting days that ISBI may consider, may be proposed and should also be discussed as part of your response to Q16 as appropriate in addition to the applicable technical questions.
49	What is the market-to-book ratio for the Stable Return Fund?	The Stable Return Fund market-to-book ratio is 102.55% as of 3/31/2021.
50	Assuming the passage of Illinois SB 2103, will SURS participating employers only be allowed to offer the SURS 457 plan or will they be able to continue to offer the State of Illinois 457 plan?	Under SB 2103, the State of Illinois 457 plan would be closed off to new SURS members beginning July 1, 2023.
51	Assuming the passage of Illinois SB 2013, What will happen to existing State of Illinois 457 participant balances at SURS participating employers if the State of Illinois 457 plan is no longer offered?	Under SB 2103, SURS employers would continue offering the State 457 plan, but not all employees would have access. No existing balances should be impacted, as those legacy employees would retain access to the plan. Specifically: - Anyone who first becomes a member of SURS prior to July 1, 2023 would retain access to the State of Illinois 457 plan; - Anyone who first becomes a member of SURS on or after July 1, 2023 would not have access to the State of Illinois 457 plan for the duration of their employment with an SURS employer, unless they have an active deferral election to the State 457 plan in effect as of June 30, 2023.