

In addition to the responses below a word version of the RFP can be obtained via request to the Search Contacts.

1. What is the reasoning behind evolving the strategy from the current static mix of 4 US factor indexes?

➤ *ISBI believes that by expanding the mandate to global and having more dynamic factor weightings, the portfolio can be managed more efficiently, and there is greater potential for excess return.*

2. Can you provide any additional insight into the role that the factor portfolio plays in the overall equity portfolio? It is viewed purely as a source of incremental alpha over MSCI ACWI or is the portfolio seeking a reduction in risk along with alpha?

➤ *ISBI is considering absolute, relative and risk adjusted return within the context of this mandate.*

3. Page 3 – “This mandate will replace ISBI’s existing factor portfolio, which passively tracks and has equal weights to four underlying indices: the MSCI USA Value Weighted, MSCI USA Momentum, MSCI USA Quality and MSCI USA Minimum Volatility.” Would the client prefer a strategy that allocates weight equally to the four factors, or can the manager propose their desired factor weighting scheme?

➤ *Managers will be allowed to manage their desired factor weighting.*

4. Is the plan sponsor open to dynamic factor weighting?

➤ *Yes.*

5. The current indices are all US based, are you intending to replace them with similar ACWI indices in an equal weighted configuration? Will you entertain different alpha sources and weightings provided that they are demonstrably proven to add incremental return?

Is ISBI seeking proposals for passive global factor strategies or solutions?

➤ *ISBI seeks strategies that systematically harvest factor premia and is considering varying degrees of actively managed factor exposures within the context of a global equity mandate.*

6. Are you considering multiple managers with singular global factors (ex. Vol/Quality factor strategies still benchmarked against ACWI) or are you looking to hire only one global factor strategy?

Will you be considering strategies that focus on one factor, i.e. a minimum volatility strategy, or are you evaluating providers that will be build a single solution to allocate to all of the desired factors?

- *ISBI is not seeking proposals for single global factor strategies. ISBI will be considering strategies that provide a multi-factor approach.*
7. Currently ISBI has exposure to the factors, Value, Momentum, Quality and Min Vol. Would ISBI consider strategies that don't include exposure to the Minimum Volatility factor or is having exposure to this factor premium a hard requirement?
- *ISBI is open to adding or eliminating existing factor exposures and seeks the manager's best ideas when it comes to constructing a multi-factor solution.*
8. Is size a factor you are looking to incorporate?  
Related, are you looking for all cap, large cap etc.?
- *ISBI is seeking to approximate the size allocations within the respective benchmark.*
9. Is ISBI solely looking for an "off the shelf" Global Factor strategy or would you consider a customized solution supported with a back-tested performance track record?
- *ISBI would consider a customized solution for this mandate.*
10. In case ISBI is open to a customized solution, are there any restrictions or specifications, in addition to the factors Value, Momentum, Quality and Volatility and active risk budget of 4%, that should be taken into account?
- *No, there are no additional restrictions. Also, it is not required that the chosen manager use the four current factors ISBI has exposure to. ISBI is seeking the manager's best ideas in constructing a multi-factor solution. ISBI expects the beta will be approximately 1 and the portfolio will have similar market capitalization weights to the index.*
11. In response to the following questions related to tracking error and active risk:
- You note that "the portfolio should have active risk of less than 4%." Is there a preferred tracking error level?
  - Can you please confirm the 4% TE limit is an ex-ante figure, and will it be calculated using the chosen manager's risk model or the client's in-house risk model?
  - With respect to a 4% or less TE target, is the 4% figure a hard-cap?
  - Can you please provide guidance on any lower limit for a proposed strategy? For example, would 1.5% – 2.0% tracking error be viewed unfavorably?
  - Is the stated active risk budget of 4% tracking error a hard limit or approximation of the long term expected ex-ante TE ISBI aims to achieve for this portfolio (in other words: do we need to manage it at 3% or do they expect us to manage it at 4%)?
  - Related to Q#1, is there a preferred level of tracking error (e.g., 1%,2%,3%) or up to the discretion of the manager – given the stated limit?
  - Could you clarify what period should be used to calculate active risk relative to MSCI ACWI? (5yr/10/yr since inception?)

- Can you clarify how you are measuring the active risk constraint of 4%?
  - *Active risk and tracking error will be evaluated within the context of the RFP and in conjunction with many other considerations, including: process, philosophy, historical track record, portfolio construction, and fees. It should represent the maximum long-term ex-ante active risk ISBI aims to achieve in this portfolio. ISBI is considering all active risk levels below 4% and does not have a specific preference or lower limit; tracking error slightly higher would also be considered. Active risk can be calculated over any of the longer-term periods noted in the question above or represent the active risk of a proposed custom mandate. ISBI will use the manager's ex-ante risk calculation.*

12. Page 12 – “What factors do you consider persistent and utilize to build your investment approach? What evidence or research would you cite to support this?” & “What are your expectations for tracking error versus the reference benchmark index? What level of volatility reduction, if any, do you target?” Is there a desire to have the portfolio maintain a beta of 1 relative to the benchmark at rebalance? If so, if we were to include Low-Risk factors, would the equitization to beta 1 via derivatives be permitted? If problematic, would there be a willingness to remove the Low-Risk factors and run a Value, Momentum, and Quality strategy?

- *ISBI does not require a beta of 1 and recognizes that some factors will reduce the portfolio beta. However, this is expected to be a long only portfolio with a beta of approximately 1.*

13. What needs to be the focus of this mandate: maximize IR or Sharpe ratio?

- *Maximizing information ratio is an important aspect of this mandate. However, ISBI will evaluate all risk and return metrics for a given strategy.*

14. Page 12 – “Do you suggest an active or passive implementation of factors? Why?” & “How are your factors defined? How often do you update your models to account for changes within factor definitions? What has been the historical correlation between your defined factors and the MSCI's factor definitions?” Is there a specific turnover limit this mandate is expected to be subject to?

Are there any turnover constraints/restrictions?

- *No, this portfolio is not subject to a specific turnover limit or constraints/restrictions.*

15. Is there a limitation on the number of holdings in the portfolio?

- *No.*

16. Are there any relative index constraints? i.e. +/- stock/region.

- *No, there are currently no further constraints on the portfolio.*

17. Are there any limits on position sizing?
- *No.*
18. What is the appetite for names outside the benchmark?
- *ISBI is open to considering strategies with some differentiation from the benchmark.*
19. How often are current portfolios rebalanced? Preferred frequency of rebalancing going forward?
- *ISBI does not have a preferred frequency of rebalancing or degree of turnover.*
20. In response to the following questions related to benchmarks and track records:
- We have a successful Global Multi factor strategy managed versus MSCI World (developed for over 15 years that fulfills all criteria. The track record of the same strategy managed versus MSCI World ACWI starts in April 2021. Will the long-term track record also be evaluated for this RFP?
  - We have an established GIPS compliant composite on global developed markets (MSCI World) and also have an EM mandate managed for 2 years under same team & process for large institution in Asia. Would you be willing to consider a submission based on a MSCI world composite strategy knowing the team also manages a EM composite and can integrate that into a mandate?
  - Will ISBI consider factor-based strategies where there is no track record in managing EM (as part of the ACWI composition)?
  - Will ISBI consider portfolios that track the MSCI World Index in addition to the MSCI ACWI?
  - Is a simulated performance history acceptable or is a live track record required? The manager has experience managing broad and custom portfolios in various regions globally but does not have a live track record against the required benchmark.
  - Related to Section V, Scope of Services, ISBI notes that the strategy should be benchmarked against the MSCI ACWI Index. Our investment team has two distinct factor investing track records that are benchmarked against the MSCI World Index and the MSCI Emerging Markets Index – would ISBI allow our submission to combine these two track records to simulate the desired MSCI ACWI Index?
  - We believe our actively managed, broad-based global equity factor strategy presents a compelling solution to ISBI's investment requirements. However, the strategy focuses only on developed markets (and thus not the EM portion of the MSCI ACWI). Is it possible to be awarded a mandate covering only the developed markets portion of ISBI's desired ACWI portfolio?
    - *Yes, ISBI will consider the MSCI World composite in the evaluation. A simulated track record would also be considered. The relevant live track records for all strategies related to this proposal should also be included in your submittal for our reference. A description of how the simulated performance differs from your current strategies should be included as well.*

21. We believe ISBI may be open minded as it relates to considering a fund-of-one vs. an SMA, but want to solicit your thoughts if ISBI has a preference of one vs. the other?

➤ *ISBI will consider all vehicle types for this mandate.*

22. Do proposals need to be submitted with an implementation partner? Specifically, our firm would offer to license the strategy and a partner firm would trade the strategy.

➤ *ISBI is seeking a manager to invest assets on its behalf, so the proposal must be an option that can be implemented immediately.*

23. Page 28 of the RFP: Besides the documents provided in the RFP, are there any additional “applicable ISBI manager guidelines” that have not been provided? If so, what would these be?

➤ *ISBI has not established manager guidelines for this mandate, and this would be a collaborative approach between ISBI Staff and the General Consultant with influence from the chosen manager.*

24. What type of reporting do you require to demonstrate best execution and respect of ISBI’s target trade allocation to minority-owned brokers?

➤ *ISBI will work with the chosen manager to establish a periodic reporting packet.*

25. RFP Page 4 - Minimum Qualifications #2: We are not registered to do business in the state of IL, so we don’t have any evidence to provide. Can the registration be contingent on winning?

If a Respondent is not currently authorized to conduct business in the State of Illinois, is the Respondent permitted to answer “Yes” to Minimum Qualification #2 provided it has initiated its registration at the time of the RFP submission?

If a Respondent is not currently authorized to conduct business in the State of Illinois, is the Respondent permitted to answer “Yes” to Minimum Qualification #2 if it is willing to represent that it will register to conduct business in the State of Illinois should Respondent be awarded the mandate?

➤ *Generally speaking, all respondents are presumed to be authorized to conduct business in the State of Illinois and permitted to say “Yes” to question #2 in the minimum qualifications without documentation. A respondent may register after being selected as a vendor, if needed.*

26. RFP Page 19 - Exhibit A; point 2 beginning on page 19: We are definitely a business entity for purposes of PA 95-0971, and we had to do certifications and disclosures under this act

when we had other public accounts in the state of Illinois. Can we register with the Board of Elections if we actually win the business?

- *Yes, but the respondent must still comply with the requirements stated in the Act. Please note that any contract formed between ISBI and respondent is voidable for vendor's failure to comply with the requirements of the Act.*

27. With respect to its compliance requirements under the Illinois Pension Code, does ISBI maintain a list of Iran-restricted companies and Sudan-restricted companies it shares with managers and on which a manager may rely to ensure compliance with those provisions of the Illinois Pension Code?

- *As stated in the RFP, the prohibited investment list is maintained by a separate entity, the Illinois Investment Policy Board ("IIPB"). Please visit their website for more information: <https://iipb.illinois.gov/>.*

28. In lieu of providing a registration certificate as part of its submission, can a Respondent that is a "Business Entity" under Public Act 95-0917 provide a representation that Respondent will register with the State Board of Elections should it be awarded the mandate?

We would like to confirm the requirement of obtaining a certificate of registration from the Illinois State Board of Elections. Is the registration and accompanying copy a requirement for the submission of an acceptable RFP, or is this only required when a manager has been selected and thus a requirement needed for contracting etc.?

- *Yes, but the respondent must still comply with the requirements stated in the Act. Please note that any contract formed between ISBI and respondent is voidable for vendor's failure to comply with the requirements of the Act.*

29. We note that a Vendor's failure to comply with the requirements of Public Act 95-0971 renders any contract between ISBI and such Vendor voidable. What action(s), if any, would ISBI be expected to take in the event of a Vendor's reported failure to comply with the requirements of Public Act 95-0971?

- *ISBI would explore several remedies, including voiding the agreement for a failure to comply.*

30. In ISBI's experience, which components of the RFP response should Respondents expect to be exempt from disclosure pursuant to 5 ILCS 140 in the event of a FOIA request? We're hoping to have a commercial sense regarding ISBI's posture toward FOIA related requests (e.g., should we expect our response to the actual RFP will potentially end up in the public domain).

- *As a public body under 5 ILCS 140, respondents should presume all records shall be made available upon request. The onus shall be on the respondent, not ISBI, to justify an exception to a*

*member of the public or the Illinois Attorney General's Office. For more information, please visit: <https://foiapac.ilag.gov/>.*

31. Our team was hoping to get some clarification with regards to the required investment management agreement (IMA) mentioned within the RFP document. Would you be able to provide any further detail on the non-negotiable state mandated provisions within the IMA and perhaps provide any indication on the general level of flexibility to change or negotiation for other language within the IMA sample? Would it be possible for respondents to request and receive a copy of the sample IMA ahead of the finalist stage?
- *A Form Investment Management Agreement (“IMA”) is available on ISBI’s website (<https://www.isbinvestment.com/wp-content/uploads/2022/12/ISBI-Form-Investment-Management-Agreement-IMA-2022.pdf>). All of ISBI’s Strategic Partners have substantively agreed to ISBI’s Form IMA. Additional requirements are stated in the RFP.*
32. Regarding Item 13 for VII. Minimum Qualifications and Certification, in reference to Exhibit B, can these requirements be qualified if needed? Page 5, item 13 - Respondent has (i) reviewed the representations and certifications outlined in Exhibit B, titled Required Representations and Certifications, and (ii) agrees that, if Respondent is selected to provide investment management services, such representations and certifications will be incorporated into the investment management agreement. (Yes/No): \_\_\_\_\_
- *Limited drafting changes may be negotiated during the RFP process for an inapplicable provision; however, no substantive changes are allowed.*
33. Page 28 of the RFP: We note that managers are required to comply with IIPB’s Prohibited Investment List and “reporting requirements under applicable Illinois law”. What are these “reporting requirements”?
- *As stated in the RFP, the prohibited investment list is maintained by a separate entity, the Illinois Investment Policy Board (“IIPB”). Please visit their website for more information: <https://iipb.illinois.gov/>.*
34. Page 28 of the RFP: We note that “a sample IMA will be provided to finalist candidates upon request”. Can we confirm that this “sample IMA” is the same one that is available on your website at Reports & Disclosures – ISBI ([isbinvestment.com](https://www.isbinvestment.com))?
- *A Form Investment Management Agreement (“IMA”) is available on ISBI’s website (<https://www.isbinvestment.com/wp-content/uploads/2022/12/ISBI-Form-Investment-Management-Agreement-IMA-2022.pdf>). All of ISBI’s Strategic Partners have substantively agreed to ISBI’s Form IMA. Additional requirements are stated in the RFP.*
35. Is ISBI planning any exclusions?

- *As stated in the RFP, the prohibited investment list is maintained by a separate entity, the Illinois Investment Policy Board (“IIPB”). Please visit their website for more information: <https://iipb.illinois.gov/>.*

36. In reference to Exhibit A Section #3, titled Vendor Disclosure of Financial Interests and Potential Conflicts of Interest, is there a specific disclosure form that needs to be completed, or should we submit our own document that addresses your questions? We found the following disclosure form online, but are unsure that this is correct:  
<https://www.procure.stateuniv.state.il.us/publicdocs/vendorforms/financialdisclosuresandconflictsofinterest.pdf>

- *As stated in the RFP, please provide the applicable disclosures as an attachment in your submittal. There are no separate disclosure forms.*

37. In reference to Exhibit A Section #3, titled Vendor Disclosure of Financial Interests and Potential Conflicts of Interest, if we are not publicly traded, but are wholly owned by our parent company who is publicly traded in the UK, would we be able to provide the UK’s equivalent of a 10k, i.e., Annual Return (AR01)/Annual Report

- *Yes.*

38. Page 15 – “How are client investment restrictions incorporated into the order and trading process? How are trade confirmations tracked? How does the firm handle trading errors?” Is there a set of securities that are anticipated to be restricted from investment, and how restrictive is that list likely to be?

Are there any holding restrictions/prohibitions (i.e. country, individual securities, ETF)?

- *As stated in the RFP, the prohibited investment list is maintained by a separate entity, the Illinois Investment Policy Board (“IIPB”). Please visit their website for more information: <https://iipb.illinois.gov/>.*

39. For minimum qualification #6. The Head of Portfolio Management came into the role in 2021 because of the unfortunate passing of a colleague in that position. The existing Head of Portfolio Management has 4yrs experience in our portfolio management team. Our portfolios have always been managed on a team basis with the Head of our [REDACTED] team and the Head of [REDACTED] Research both involved in our strategy since its inception. Please confirm this level of experience meets your minimum qualification.

- *Yes, this would meet our requirements.*

40. Regarding Section VII, Minimum Qualifications. In addition to being an SEC-registered investment adviser, [REDACTED] US is also an indirect wholly owned subsidiary of [REDACTED] Asset Management France (“[REDACTED] France”), a French investment adviser. The strategy proposed is managed by [REDACTED] out of Paris. Would it be permissible, pursuant to the terms of the Illinois RFP if [REDACTED] US responded to the RFP and would serve as the investment adviser of record for the mandate and [REDACTED] France, pursuant to a

Participating Affiliate Agreement with [REDACTED] US, would serve as the day-to-day investment manager for the mandate? [REDACTED] US would be amenable to supplying additional information, as requested, about [REDACTED] France as part of its RFP Response.

- *Any respondents, including wholly owned subsidiaries, may apply to ISBI's RFP provided they meet the minimum qualifications and provide all requested documents. The contracting party must also agree and bear full responsibility for any contracting requirements.*

41. Does the process need to reflect ESG considerations (question 26) or is there an exclusion list of companies that ISBI provides?

- *ISBI is subject to the Illinois Sustainable Investing Act and the Illinois Investment Policy Board's prohibited investment list. For more information, please see ISBI's Investment Policy and <https://iipb.illinois.gov/>.*

42. Could you clarify the level of detail regarding ownership disclosures as specified in Exhibit A section 3? For a partnership, would it be acceptable to simply list the partners of the firm or would the proposal not be considered unless specific % ownership stakes were submitted?

- *As stated in the RFP, "Disclosures must include at least the names, addresses, and dollar or proportionate share of ownership of each person identified and their instrument of ownership."*