OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

REQUEST FOR INFORMATION
Advisor-sold
529 College Savings Plans
370-200-16-004

June 20, 2016

Responses due by 2:00 p.m. CT on July 8, 2016

Mr. Jim Underwood
Chief Procurement Officer
400 West Monroe Street, Suite 401
Springfield, IL 62704

Office of the Illinois State Treasurer
Request for Information
Advisor-sold 529 College Savings Plans

TABLE OF CONTENTS

I. INTRODUCTION

The Office of the Illinois State Treasurer ("Treasurer's Office") is issuing this Request for Information ("RFI") regarding the structure and management of the two Illinois Advisor-sold 529 College Savings Plans ("Plans"): Bright Start Advisor and Bright Directions College Savings Plans. Responses will assist the Treasurer's Office in the structuring and/or re-structuring; and the branding and/or rebranding of the Plans.

Service providers ("Respondents") must submit their responses to this RFI ("Responses") by 2:00 p.m. CT on July 8, 2016. The Treasurer intends to work with the Chief Procurement Officer ("CPO") to utilize the information collected through this RFI to develop the procurement process for one or all of the Treasurer's Office College Savings Plans, as well as the office's direct-sold Bright Start Direct College Savings Plan ("Bright Start Direct").

II. BACKGROUND

The Treasurer serves as Trustee and Administrator of the College Savings programs and its investment pool ("College Savings" or "College Savings Pool"). College Savings includes the Bright Directions College Savings Program ("Bright Directions"), as well as the Bright Start Direct College Savings Plan and the Bright Start Advisor College Savings Plan (collectively, "Bright Start"). Bright Directions and Bright Start are tax-advantaged investment programs, intended to be used to pay for the qualified higher education expenses of beneficiaries under Section 529 of the Internal Revenue Code of 1986, as amended ("Section 529" and "Code", respectively). College Savings receives no appropriations from the State of Illinois.

The three College Savings programs offer participants a variety of investment options that suit individual needs and preferences. Participants may choose from static investment portfolios or premixed portfolios that automatically rebalance, based on the beneficiary's age and educational time-horizon or risk type. The range of investment portfolios is designed to appeal to a variety of participants' risk tolerance, and the participants can choose from actively or passively managed funds, as well as proprietary or non-proprietary funds depending upon the selected Plan.

College Savings' assets are invested in portfolios structured and managed in accordance with the Treasurer's Bright Start and Bright Directions Investment Policy Statements. The financial institutions that serve as program managers for the Plans also provide administrative services, customer service and recordkeeping, marketing, and distribution. The financial institution(s) ultimately engaged to serve as program manager(s) (the "Contractor") will be expected to closely work with Treasurer's Office staff and consultants in the evaluation and provision of management services. Currently, the program managers are Union Bank & Trust for Bright Directions and Oppenheimer Funds for Bright Start.

The contracts for all three programs are set to expire on July 17, 2017. There is an option for a contract extension for approximately eight years on Bright Directions.

The goal of this RFI is to collect information that will help meet the following objectives:

1. Collect recommendations on structuring and branding of the two advisor-sold Plans;
2. Identify distribution channels for advisor-sold 529 Plans;
3. Identify pricing and fee trends in the advisor-sold 529 market;
4. Collect recommendations on investment management design and options; and
5. Gain insight into the 529 program conversion processes, including an outline of the steps necessary for a successful conversion.

As of March 31, 2016, the College Savings Pool includes the following:

Plans	Unique Beneficiary Accounts	Assets	Investment Portfolios
Bright Directions	**111,145**	**$1.979 billion**	**57**
Bright Start Direct	**221,160**	**$3.955 billion**	**20**
Bright Start Advisor	**91,347**	**$1.915 billion**	**11**

III. <u>RFI PROCESS AND SCHEDULE</u>

This Section outlines the process and schedule associated with this RFI.

A. Schedule

The following is the schedule for this RFI:

Date	Event
June 20, 2016	RFI published on the Treasurer's Office website
June 24, 2016	Notice of intent to participate in the Optional Respondent Tele-Conference due by 2:00 p.m. CT.
June 27, 2016	Optional Respondent Tele-Conference at 2:00 pm CT.
June 28, 2016	All Respondent questions due by 5:00 p.m. CT.
June 30, 2016	Responses to all questions posted on the Treasurer's Office website by 5:00 p.m. CT.
July 8, 2016	Responses to the RFI due at 2:00 p.m. CT.

These dates are subject to change at the CPO's discretion.

B. Contact information

The Treasurer's Office CPO is the sole point of contact concerning this RFI.

Respondents should submit questions about the intent or content of this RFI and request clarification of any and all procedures used for this RFI prior to the submission of a response. Respondents must submit their questions in writing by e-mail to the CPO by 5:00 p.m. CT on June 28, 2016: junderwood@illinoistreasurer.gov.

C. Respondent Teleconference

Each Respondent must e-mail notice of intent to attend the Respondent Teleconference to Jim Underwood at junderwood@illinoistreasurer.gov prior to 2:00 p.m. CT on June 24, 2016. Attendance at the Respondent Teleconference is optional. The Respondent Teleconference shall be on June 27 at 2:00 p.m. CT. Teleconference details will be emailed after notice of intent to participate has been received.

D. Proposal Submittal

All Responses to the RFI must be submitted by either e-mail, mail, or messenger to the following Chief Procurement Officer Jim Underwood , no later than 2:00 p.m. CT on July 8, 2016:

E-mail: junderwood@illinoistreasurer.gov

Address: Mr. Jim Underwood
Chief Procurement Officer
Office of the Illinois State Treasurer
400 West Monroe Street, Suite 401
Springfield, IL 62704

E. RFI Process

1. Questions about this RFI
   Respondents must submit questions about the intent or content of this RFI and request clarification of any and all procedures used for this RFI prior to the submission of a Response. Respondents must prepare their questions in writing and send them by e-mail to the above contact person.

2. Internet/E-mail Communications
   The Treasurer's Office may also communicate with Respondents via e-mail. Each Respondent should provide an e-mail address with its response for ease of communication throughout this RFI process.

3. Verbal Communications
   Any verbal communication from the Treasurer's Office or its contractors concerning this RFI is not binding on the Treasurer's Office and shall in no way alter of the terms of this RFI.

4. Amendment
   If it is necessary to amend this RFI, the Treasurer's Office will post amendments on the Treasurer's Office website:

   http://www.illinoistreasurer.gov/Office_of_the_Treasurer/Procurement/Procurement_Opportunities

5. Respondent's Costs
   The cost of developing a Response is each Respondent's responsibility and may not be charged to the Treasurer's Office.

6. Withdrawal of Response
   A Respondent may withdraw its Response at any time prior to the deadline for receipt of Responses. The Respondent must submit a written withdrawal request, addressed to the CPO and signed by the Respondent's duly authorized representative.

7. Modification of Response
   A Respondent may submit an amended Response before the deadline for receipt of Response. Such amended Response must be a complete replacement for the previously submitted Response and must be clearly identified as such in the transmittal letter to the CPO.

8. Response to RFI is State Property
   On the response due date, all responses and related material submitted in response to this RFI become the property of the State of Illinois.

9. CPO May Cancel the RFI
   If the CPO determines it is in the Treasurer's Office best interest, he reserves the right cancel or modify the RFI.

IV. QUESTIONS

The Respondent must answer the following questions:

Plan Structure, Administration, and Branding

1. Since 2005, Illinois has administered two advisor-sold Plans (Bright Start Advisor and Bright Directions). What would be your recommendation on continuing to offer the Plans? Why?

2. If your recommendation is to merge the Plans, which brand would you recommend for the marketing of the unified plan? Why?

3. The 2011 Illinois DREAM Act allows for the Illinois 529 College Savings plans to accept applications from individuals who do not have a social security number but do have an

ITIN number; what would be the recommended approach in continuing to service these individuals?

4. Based on shifting consumer trends, what would be your recommendation on providing marketing materials, enrollment forms, and disclosures in languages other than English?

5. What would be your recommended approach on marketing to low-income and underrepresented populations?

6. Currently, Bright Directions has no minimum deposit to open an account, while Bright Start Advisor requires a $25 initial contribution; what would be your recommendation on initial contributions for advisor-sold plans?

529 Industry Pricing and Fee Trends

7. Given current market trends, where do you think advisor-sold pricing structures (e.g., program management and other account-related fees) are headed? Why?

8. Given current market trends, how would the investment structure (e.g., proprietary or non-proprietary, passive or active management) of the Plans impact the pricing-structures stated in the question above?

9. What strategies can the Plans incorporate to offer competitively priced investment funds including but not limited to passive investment options and separately managed investment vehicles?

10. What would be the recommended compensation model for advisors/brokers, given these trends?

Distribution

11. Given the shrinking market share of the advisor-sold 529 space, what opportunities for expansion of distribution channels would your firm recommend?

12. How many field representatives would your firm recommend for Illinois advisor-sold plans?

Investment Management

13. Provide a suggested investment framework, associated investment options and related services from one or more fund families offering an array of services designed to meet the needs of the 529 investment portfolios. Please include associated performance information, expense ratios, and applicable third-party ratings. Would your firm recommendations differ for direct-sold and advisor-sold plans?

14. Provide insights on investment services, and perspectives on manager due diligence, manager selection and replacement, and benchmarking among other investment duties.

15. Describe your position on open versus closed architecture platforms? Would your firm recommend proprietary funds, third party investment options, or a combination of both? For advisor-sold and direct-sold plans, what is your firm's position on active versus passive management in static, risk-based, and age-based portfolios?

16. What factors would your firm consider in structuring an appropriate asset allocation for the Plans?

17. Describe your philosophy or thoughts on best practices on the composition of static portfolios, target risk portfolios and age-based glide paths (e.g., moderate fixed intervals and progressive glidepaths). Would your firm recommendations differ for direct-sold and advisor-sold plans?

18. Should static and age based portfolios include dedicated allocations to emerging markets, multi-asset class strategies, non-US small cap, and other alternatives or completion strategies? In what way should the allocations differ between direct-sold and advisor-sold plans?

19. What is the role of growth and value in static and age-based portfolios? Are core strategies more appropriate and why?

20. How should late-stage age bands be constructed? What is the role of short duration? What is the role of intermediate and core fixed income strategies? What is the role of high yield bonds and senior secured loans?

21. What do you recommend for risk management governance of and ongoing oversight for advisor-sold plans?

Conversion and Change in Management

22. What would be your firm's recommendation on the conversion of two separately-managed advisor-sold programs into one unified advisor-sold plan? Does your firm's recommendation differ if each of the advisor-sold plans is converted to two new program managers?

23. What would be the recommended conversion process for omnibus accounts held separately from the program manager(s)?

24. How would a program manager ensure investment assets are routed to an appropriate investment vehicle to account for risk appetite, differing glide path strategies, and differing asset allocation?

25. What would be the recommended timeline for a completed conversion?

26. What would be your firm’s recommendation for protecting and keeping assets and accounts during a conversion?

27. How would a program manager communicate effectively to current account holders about the conversion process?

28. Should a transition manager be utilized for completing the conversion process?