

Office of the Illinois State Treasurer
Michael W. Frerichs

Request for Proposals Investment Managers for
Investment Grade Credit and Municipal Bonds
370-500-20-002

Addendum 6
January 6, 2020

Below are the questions received by the Office of the Illinois State Treasurer (“Treasurer”) and the Treasurer’s responses. The questions listed herein are intended to be accurate representations of the questions received; as such, any errors in usage or spelling have not been corrected. Any capitalized terms that are not defined herein have the meaning set forth in the Request for Proposals Investment Managers for Investment Grade Credit and Municipal Bonds (370-500-20-002) (“RFP”) published by the Treasurer on November 26, 2019.

1. In Section II, will you please explain what is meant by an Illinois presence regarding the corporations or limited liability companies the Treasury is authorized to invest in?

Please refer to page 4 of the RFP, outlining the factors considered to demonstrate “Illinois presence.”

2. In Section III; can a manager provide portfolio management for investment grade bond only (item C) and not the Municipal bonds?

Respondent may submit a response for both municipal bonds and investment grade credit or either the investment grade credit or municipal bonds.

3. In Section IV-B, will you please confirm that in question #14 you are asking for assets under management as of 12/31/2018?

Yes, the Treasurer requests assets under management as of December 31, 2018.

4. Using the Treasurer’s general guidelines, is the judgement of a corporation’s “presence in Illinois” up to the portfolio managers and investment team?

The Contractor will determine “Illinois presence” based on the Treasurer’s guidelines laid out on page 4 of the RFP. In addition, the Contractor will provide the Treasurer with activity reports as outlined in Section IV.B of the RFP and Section 12.0 (“Reporting”) of Appendices A and B to the Investment Policy Statement for the State Investments Portfolio, attached to the RFP as Appendix A.

5. Since these assets to be managed are state operating assets, will we have realized loss constraints on the portfolio?

Please refer to Section IV.B of the RFP (“Investment Design and Strategy” and “Due Diligence”) for investment expectations. In addition, refer to Sections 2.0 – 2.2 and 7.0 – 10.0 of Appendices A and B to the Investment Policy Statement for the State Investments Portfolio, attached to the RFP as Appendix A.

6. How criteria do we use to screen the bonds for a significant presence in Illinois? Example, do they have to have an office in Illinois?

Please refer to page 4 of the RFP, outlining the factors considered to demonstrate “Illinois presence.”

7. The Investment Policy Statement for the State Investments Portfolio’s Externally Managed Corporate Securities (page 20 of 22) – Section 5.0 Investment Parameters, Letter b) states: “at the time of purchase, the maturity of the securities shall not be less than 270 days and shall not exceed ten (10) years.” Section 6.0 Investment Restrictions, Letter a) references “any other investment policy of the Treasurer” under what external investment managers may not invest in. Since the IPS for the State Investments Portfolio (page 9 of 22) Section 9.0 Diversification, Letter d), sub-sections vi. – xi. outlines limits and maturity buckets, when addressing the Corporate Securities mandate in the proposal questionnaire, can the proposer defer to the IPS for the Corporate Securities for maturity and limitations?

In responding to questions provided in the RFP, answers should defer to the Investment Policy Statement for the State Investments Portfolio.

8. The Investment Policy Statement for the State Investments Portfolio’s Externally Managed Corporate Securities (page 20 of 22) – Section 5.0 Investment Parameters, Letter a) states: “Securities must be issued by corporations of limited liability companies (“securities/security”) organized in the United States that have a significant presence in the State of Illinois and assets exceeding \$500,000,000.” Can you provide a current/updated list of qualifying corporations for reference?

A listing of current approved debt security issuers is located on the Treasurer’s website at:

https://www.illinoistreasurer.gov/Financial_Institutions/BrokerDealers_Counterparties/Approved_Debt_Securities_Issuers

9. Can you provide the current holdings for the Municipal Bond portfolio?

A listing of current municipal bond holdings is located on the Treasurer’s website at:

<https://stories.opengov.com/illinoistreasurer/published/BJ6O7Wg5f>

10. What are the current fees/fee schedule being charged for the Municipal Bond portfolio?

The current fee structure for externally managed municipal bonds is an annual rate of 14 basis points on the market value of the assets, calculated and billed on a quarterly basis.

11. Section I. Overview states: "...the Respondent must be authorized to do business in the State of Illinois and either have a physical or significant economic presence in the State of Illinois as determined by the Treasurer." Can you provide additional information regarding how a proposer's "significant economic presence" is defined and determined by the Treasurer (i.e. AUM, number of public sector clients, etc.)?

Please refer to page 4 of the RFP, outlining the factors considered to demonstrate "Illinois presence."

12. Are managers responding to the RFP required to submit a proposal for both the Investment Grade Credit and the Municipal Bond Mandate, or may they submit a proposal for either the Investment Grade Credit mandate or the Municipal Bond Mandate?

A Contractor may submit a response for both municipal bonds and investment grade credit or either the investment grade credit or municipal bonds.

13. What criteria is used to determine the sustainability factors? If possible, please provide sample reporting.

Please refer to Section IV.B of the RFP ("Sustainability") and Section 2.3 ("Sustainability") of Appendices A and B to the Investment Policy Statement for the State Investments Portfolio, attached to the RFP as Appendix A.

14. Investment policy statement, Section 7.0 Authorized and Suitable Investments, Item H. Can the Illinois Treasury provide a list of companies that meet the criteria listed in the section referenced above?

A listing of current approved debt security issuers is located on the Treasurer's website at:
https://www.illinoistreasurer.gov/Financial_Institutions/BrokerDealers_Counterparties/Approved_Debt_Securities_Issuers

15. Will the benchmarks for the Investment Grade Credit and the Municipal Bonds mandates be the Bloomberg Barclays Intermediate Treasury Index and the Bloomberg Barclays U.S. Corporate A+ 1-3-year Index?

Please refer to Section 2.2 ("Return on Investment") of Appendices A and B to the Investment Policy Statement for the State Investments Portfolio, attached to the RFP as Appendix A.

16. Will the Investment Grade Credit Mandate and the Municipal Bond Mandate be required to invest 25% or more of the total mandate with MWBE businesses? For example, if the total mandate was \$200 million would at least \$50 million need to be invested in MWBE business as defined in Section 3.0 Footnote 1?

Please refer to Section 9.0 (“Due Diligence”) of Appendices A and B to the Investment Policy Statement for the State Investments Portfolio, attached to the RFP as Appendix A.

17. Will a firm be required to obtain or hold a MWBE certification from the State of Illinois or will a certification from a comparable entity be sufficient to be considered a MWBE entity for the purpose of this mandate?

In the Proposal, please provide a copy of MWBE certification on file.

18. What are the excess return expectations for the Investment Grade Mandate and the Municipal Bond Mandate versus their respective benchmarks?

Please refer to Section IV.B the RFP (“Investment Design and Strategy” and “Due Diligence”). In addition, refer to Sections 2.0 – 2.2 and 7.0 0 10.0 as well as Appendices A and B of the Investment Policy State for the State Investments Portfolio, attached to the RFP as Appendix A.

19. In the management of the Illinois Treasury Account, are Investment Managers only able to trade with the Approved Broker and Dealers as listed on the Illinois Treasury Website or may additional brokers be used if pre-approval is obtained?

Please refer to Section 4.0 (“Brokers/Dealers”) of Appendices A and B to the Investment Policy Statement for the State Investments Portfolio, attached to the RFP as Appendix A.

20. Specifically, would we be seriously considered in your process given a somewhat limited economic footprint in Illinois?

Section VI.C.8 of the RFP provides the criteria for scoring of the “Illinois Presence” questions within Section IV.B of the RFP.