

AGENDA ITEM 11 .

SELECTION OF *COLLEGE ILLINOIS!* 529 FIXED RATE TUITION PLAN INVESTMENT MANAGERS

Submitted for: Action

Summary: ISAC's contract (and subsequent renewals) with the current core fixed income manager for the *College Illinois!* prepaid tuition program expires at the end of the current fiscal year. A recommendation is being made for the selection of three new investment managers to be the program's core fixed income managers.

In early May, a Request for Proposals (RFP) was published on the Illinois Procurement Bulletin Board and numerous investment managers nationwide were notified that the program was seeking investment management services. Marquette Associates, the program's investment advisor, provided assistance with the development of the RFP and the notification of potential respondents. A particular effort was made to encourage emerging managers to submit proposals. These efforts resulted in the submission of 33 proposals, including 7 emerging firms. Of the emerging firms, 6 of them were minority-owned; another 3 minority-owned firms also responded to the RFP.

Marquette Associates proposed weighted criteria by which the proposals would be evaluated, as well as a specific procedure to be followed in the evaluation process. As always, ISAC's General Counsel was consulted to ensure compliance with the state's procurement process and provided administrative assistance and guidance. Marquette Associates analyzed each proposal in accordance with the criteria agreed upon with ISAC staff and subsequently compiled a summary report of their analysis ranking all of the firms that responded to the RFP. The Marquette report was submitted to the evaluation committee consisting of four senior ISAC staff.

The evaluation committee met with Pat Krolak of Marquette Associates on May 29 for discussion after reviewing the report on the responding firms' qualifications and performance. With the availability of several qualified emerging firms, the committee, in consultation with counsel, agreed to evaluate the emerging firms separately. That evaluation resulted in the selection of three emerging managers to be invited to make oral presentations to the team.

The committee also examined Marquette's evaluation of the top tier non-emerging firms that submitted proposals and agreed to invite four of the top seven firms to make oral presentations on June 6, 2007 in the ISAC Deerfield offices.

Following the presentations, the evaluation committee scored each group of firms separately. After review of the scores and discussion, the committee selected two emerging managers and one non-emerging manager to recommend for consideration by the Commission. A representative from each recommended firm has been invited to attend the Commission meeting.

Action requested:

That the Commission approve the following resolution:

“BE IT RESOLVED that the Commission authorizes the Executive Director to negotiate and enter into contractual agreements for the *College Illinois!* Prepaid Tuition Program with Piedmont Investment Advisors, Pugh Capital Management and C. S. McKee Investment Managers to serve as investment managers for the core fixed income portfolio.”