

AGENDA ITEM 10F.

COLLEGE ILLINOIS![®] PREPAID TUITION PROGRAM DOMESTIC EQUITY PROCUREMENT

Submitted for: Action

Background: As of April 30, 2012, the domestic equity portfolio was valued at \$219 million, representing 20.2% of the Fund. There were two passive mandates. SSgA manages a large cap mandate benchmarked to the S&P 500 and Rhumblin manages an all-cap mandate benchmarked to the Wilshire 5000. As of April 30 the SSgA account was valued at \$84 million and the Rhumblin account was valued at \$135 million.

The Rhumblin contract expired in December 2011 and their services have been extended with short-term contracts. The SSgA contract expires in June 2012.

Commission Delegation of Approval Authority

Due to time constraints associated with the search for a passive domestic equity investment manager, the Commission delegated approval authority to the Investment Committee for this search only. Following is the resolution that was approved at the January 27, 2012 meeting of the Commission.

“BE IT RESOLVED that due to exigent circumstances, the Commission makes a one-time delegation of authority to the Investment Committee for the limited purpose of approving the selection of the Passive Domestic Equity Investment Manager. The Investment Committee shall move for ratification of its decision at the next Commission meeting. The approval action must be conducted in a public open meeting”.

Search Process

A Request for Proposal (RFP) was drafted by Associate General Counsel-Investments and ISAC's Agency Purchasing Officer, and reviewed and approved by the Chief Investment Officer.

The RFP was posted on January 6, 2012 and closed on January 27. The RFP evaluation was delayed for a few weeks as State Procurement officials considered, and ultimately approved, potential representation from the Investment Advisory Panel and the Investment Consultant on the RFP evaluation committee. The final evaluation committee consisted of Associate General Counsel-Investments, a representative from Callan Associates and ISAC's Chief Investment Officer. Members of the Investment Advisory Panel were invited to participate in the scoring, but no one was able to join the evaluation committee during the scoring timeframe.

Five proposals were received. One vendor was unable to provide complete Conflicts of Interest disclosures for their parent company and was therefore disqualified as non-responsive.

The RFPs were evaluated independently and scores were submitted to the ISAC's Purchasing Officer. A conference call was held on March 21, 2012 with the evaluation committee to review the scores and discuss specific questions with large scoring dispersion to clarify the criteria. This discussion generally avoided specificity with respect to the candidate or the evaluator. Evaluators were given the opportunity to refine their scores following this call. All scoring elements included a qualitative rationale from each evaluator.

All vendors were viewed as capable, with Rhumblin achieving the greatest number of points for both the large cap and all cap products. Following identification of the prospective winner, price negotiations were initiated with Rhumblin that resulted in substantial savings from the RFP offer. A Contract document was finalized on June 5 for a five-year term with renewal options for up to an additional five years.

Investment Committee Approval

At their May 23, 2012 meeting, the Investment Committee approved the hiring of Rhumblin advisors for the passive domestic equity large-cap and all-cap mandates, subject to Commission ratification at the next Commission meeting scheduled for June 25.

Action Requested:

Staff requests the Commission ratify the Investment Committee decision to approve the hiring of Rhumblin advisors for the passive domestic equity large-cap and all-cap mandates.