REQUEST FOR PROPOSAL

GLOBAL MULTI-STRATEGY, MULTI-ASSET CLASS INVESTMENT MANAGEMENT SERVICES

RFP #2007-6

February 1, 2007

Iowa Public Employees' Retirement System
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PART 1

PURPOSE, DEFINITION OF PRODUCT, MINIMUM REQUIREMENTS, AND SCOPE OF SERVICES

A. PURPOSE

1. This Request for Proposal ("RFP") is issued by the Iowa Public Employees' Retirement System ("IPERS" or "System") for the purpose of hiring an investment management firm ("Manager") to provide investment management services for an active global multi-strategy, multi-asset class product that will be utilized to provide the "alpha" in a portable alpha strategy.
2. The product must have an objective of being market neutral (i.e., zero beta objective) versus both the S&P 500 and Lehman Aggregate Bond indices and producing an absolute return above a cash benchmark such as LIBOR.
3. The total mandate value will be approximately $400,000,000. While IPERS expects to hire two Managers for the mandate, it reserves the right to select more or fewer Managers if it is in the best interest of the System to do so. The Manager will have full discretion to manage the portfolio consistent with IPERS' Investment Policy & Goal Statement and the terms of the contract between the System and the Manager. IPERS is seeking products that can provide low tracking error to the S&P 500 Index and an information ratio (alpha before fees divided by tracking error) of at least 0.50.
4. The RFP requests some information concerning a firm's ability to manage a bundled portable alpha product in which S&P 500 Index derivatives are used to "port" large cap U.S. equity exposure onto the global multi-strategy, multi-asset class alpha product. However, the main purpose of the RFP is to evaluate the alpha product. IPERS may or may not contract with the selected Manager(s) to provide the S&P500 Index beta exposure. The decision on whether to utilize a bundled product will be made after the alpha products have been evaluated.
5. Proposals are being directly solicited from a select group of investment management firms that were screened by applying the minimum requirements below to Wilshire Associates' investment manager database. (Wilshire Associates is IPERS' general investment consultant.) However, any firm that meets the minimum requirements of this RFP is encouraged to submit a proposal. The RFP is available electronically on the Wilshire Associates website, http://www.wilshire.com/BusinessUnits/Consulting/Research/ManagerSearch.html, the IPERS website, www.ipers.org, and on the State of Iowa website, www.state.ia.us.

B. DEFINITION OF PRODUCT

The "Product" is defined as:

1. A strategy that makes tactical investments in, at a minimum, equity, bond and currency opportunities across global markets, with the ability to go long or short in any of those opportunities.
2. A product managed with the objective of market neutrality, defined as exhibiting low correlation to any single asset class, and low beta versus any single asset class.
3. A product managed as an absolute return product with the objective of producing a positive

return exceeding a cash benchmark such as LIBOR or U.S. T-bills.

4. A product which may utilize leverage and/or short selling at times.
5. A product that does not invest in or allocate assets to "hedge funds", defined here as limited liability vehicles that impose restrictions on cash withdrawals and/or transparency of portfolio holdings.

C. MINIMUM REQUIREMENTS

To be considered as a Manager for the purpose stated above, all of the following minimum requirements must be met:

1. The firm must be registered as an investment adviser under the Investment Advisers Act of 1940 and provide its full Form ADV, or provide proof of bank exemption.
2. The firm must have a minimum of $2 billion in total assets under management as of December 31, 2006.
3. The Product must **not** utilize a manager of managers or fund of funds approach.
4. The firm must be willing and able to offer the Product in a separate account.
5. The firm must be willing to accept a performance-based fee arrangement for payment.
6. The firm must provide a performance composite demonstrating its ability to manage a global multi-strategy, multi-asset class investment product, and such composite must have a proven and verifiable minimum 5-year record as of December 31, 2006 of outperforming its index since inception on a cumulative basis using returns that fully comply with the Global Investment Performance Standards (GIPS) (note: simulated or back tested results for any or all of this period are not acceptable).
7. The firm must also provide a performance composite demonstrating its ability to manage the Product, as defined in this RFP, which must have either 3-month LIBOR or 91-day Treasury Bills as its benchmark. The composite must have a proven and verifiable minimum 1-year record as of December 31, 2006 of outperforming its benchmark since inception on a cumulative basis using returns that fully comply with GIPS (note: simulated or back-tested results for any or all of this period are not acceptable.) The composite must also have a minimum of $400 million of assets under management as of December 31, 2006.
8. The firm must be willing and able to provide full transparency (i.e., names and number of securities and prices for each security, whether long or short, and leverage exposures) for the Product on a daily basis.
9. The Product must be able to provide complete cash liquidity upon five (5) business days notice.
10. The firm must be willing to allow IPERS, and/or its investment consultant, direct access to the firm's prime brokerage relationships (if any) in order to conduct periodic independent due diligence.

D. SCOPE OF SERVICES

The Manager will be required to provide the following scope of services to IPERS:

1. Invest allocated funds in conformity with the investment policy and guidelines of the System, as defined in the contract established between IPERS and the firm. Provide discretionary management of the funds under the contract.
2. Provide periodic reports and information relating to the firm's investment strategy and other pertinent information pertaining to the investment of the System's funds, as requested by IPERS. Provide monthly reports on portfolio appraisals, performance evaluation and attribution, and trading activities.
3. Participate in public meetings on a periodic basis to provide information to the System concerning the investment performance of IPERS' portfolio and the firm's investment outlook and strategy for IPERS' portfolio.
4. Maintain a good working relationship with IPERS staff by providing timely information regarding material changes in the firm's organizational structure, staffing, investment philosophies, and any other pertinent information IPERS staff may require in evaluating the performance of the portfolio.

The scope of services defined in the final contract between IPERS and the Manager will be binding and will supersede this section of the RFP if different from the scope of services defined here.

PART 2

ADMINISTRATIVE INFORMATION

A. INSTRUCTIONS FOR SUBMITTING PROPOSALS

1. Managers responding to this RFP must provide answers to the questions posed in Part 3 of this RFP. All proposals must be complete in every respect and must answer concisely and clearly all questions proposed by the RFP. Late proposals will not be accepted, and will be returned unopened to the Manager.
2. Proposals shall be submitted with a cover letter stating in the affirmative that the **firm meets each and all of the minimum requirements listed in Part 1.B of this RFP**, and that the firm is able and willing to provide the type and level of services required to fulfill the mandate proposed in this RFP. The cover letter and the offer made by the proposal, and any clarifications to that proposal, shall be signed by an officer of the offering firm or a designated agent empowered to bind the firm in a contract. The cover letter must also identify any sections of the proposal that the firm is identifying as confidential. (See Disclosure of Proposal Content below.)
3. Proposals should follow the order of questions as they are asked in Part 3 of this RFP. In response to each question asked in Part 3, restate the **main** question (denoted by a number or a letter) in bold font followed by your answers stated in regular font. Responses should be thorough and answer the specific question asked, (including the issues addressed in the bullet points following a question).
4. Supporting material must be clearly referenced to the appropriate question. Information and materials, which are strictly promotional in nature, should not be used. The submission of such material may serve to disqualify the firm from further consideration.
5. Verbal communication with IPERS staff regarding this RFP or the firm's proposal shall only be made to the RFP Coordinator identified in item 7 below. Firms will be given the opportunity to submit written requests for clarification of questions or terms contained in the RFP. In all cases, verbal communications will not override written communications.
6. **Proposals must be received at the IPERS Headquarters no later than 3:00 p.m. CST, March 1, 2007**

7. A firm must submit one (1) original proposal and seven (7) complete copies to IPERS and two (2) complete copies to Wilshire Associates, at the following addresses:

Original and seven copies to:	Two copies to:
Iowa Public Employees' Retirement System 7401 Register Drive Des Moines, IA 50321 Attn: Pat Reinhardt, RFP Coordinator	Wilshire Associates 1299 Ocean Avenue Santa Monica, Ca. 90401-1085 Attn: Eileen Neill

In addition, the firm must e-mail a complete electronic version of its proposal to Wilshire Associates at mgrsearch.neill@sm.wilshire.com and IPERS at investments@ipers.org. The electronic file must be submitted in Zip format.

B. REJECTION OF PROPOSALS

1. Firms responding to this RFP must restrict their proposed investment structure to that specified in this RFP. Proposals offering alternate or substitute structures will be treated as not meeting the RFP's minimum requirements and will be rejected.
2. IPERS reserves the right to reject any or all proposals in whole or in part received by this request, due to noncompliance with the requirements of this RFP or for any other reason. IPERS will not pay for any information herein requested, nor is it liable for any costs incurred by the submitting Managers.
3. Managers whose proposals do not meet the minimum requirements will be so notified. After evaluation of the proposals, selection, and approval by IPERS, all Managers will be notified of the successful firm or firms.
4. IPERS reserves the right to not hire or to defer the hiring of a firm for these management services.

C. DISCLOSURE OF PROPOSAL CONTENT

The laws of Iowa require that the content of bidders' proposals be maintained in confidence prior to the issuance of a notice of intent to award a contract. If IPERS issues a notice of intent to award a contract at the conclusion of the selection process, the contents of all proposals, excluding confidential information, will be placed in the public domain and open to inspection by interested parties. Trade secrets or proprietary information that are recognized as such and protected by law may be withheld, but only if designation of such sections is stated in proposing firms' cover letters and confidential information is ***clearly identified*** as such on each of the applicable pages within the body of the proposal.

Any proposal submitted which contains confidential information must be conspicuously marked on the outside as containing confidential information, and each page upon which confidential information appears must be conspicuously marked as containing confidential information. Identification of the entire proposal as confidential shall be deemed non-responsive and disqualify the firm.

If the firm designates any portion of the RFP as confidential, the firm must submit one "excised copy" of the proposal to both IPERS and Wilshire Associates from which the

confidential information has been excised. This excised copy is in addition to the number of copies requested in Part 2, A.7 of this RFP. The confidential material must be excised in such a way as to allow the public to determine the general nature of the material removed and to retain as much of the proposal as possible.

The firm's failure to request confidential treatment of material shall be deemed by IPERS as a waiver of any right to confidentiality, which the firm may have had.

D. PROPOSAL OBLIGATIONS

The contents of the proposal and any clarifications thereto submitted by the successful Manager shall become part of the contractual obligation and will be incorporated by reference into the ensuing contract.

E. DISPOSITION OF PROPOSALS

All proposals become the property of IPERS and will not be returned to the Manager. Notwithstanding the foregoing, if IPERS decides to terminate the selection process prior to the issuance of a notice of intent to award a contract, all proposals shall be returned in confidence to the bidders and no file copies shall be maintained by IPERS. Proposals that are received after the submission deadline will be returned to the Manager unopened.

F. GRATUITIES

1. The laws of Iowa provide that it is a felony to offer or promise to give anything of value or benefit to a state employee with the intent to influence that employee's duties. Evidence of violations of this statute will be turned over to the proper prosecuting attorney.
2. IPERS provides reimbursement for transportation, lodging, meals and miscellaneous expenses for its employees.
3. IPERS employees are subject to stringent statutory restrictions relative to acceptance of gifts, meals, lodging or transportation from any service contractor. Except for expenses associated with attending Manager-sponsored educational conferences, to the extent such expenses are covered by the Manager for its other clients, no meals or travel expenses may be provided or subsidized by a Manager for IPERS employees.

G. IOWA STATUTES AND RULES

The terms and conditions of this RFP and the resulting contract shall be construed in accordance with the laws of Iowa. Whenever differences exist between federal and state statutes or regulations affecting this procurement, interpretation shall be in the direction of that which is most beneficial to the interests of the State of Iowa.

H. SIGNATURE OF MANAGER'S AGENT

The offer made by the proposal, and any clarifications to that proposal, shall be signed by an officer of the offering firm or a designated agent empowered to bind the firm in a contract.

I. AWARD OF MANDATE

IPERS reserves the right to award this contract not necessarily to the firm with the lowest fee or cost proposal, but to the firm which will provide the best match to the requirements of the RFP. The successful Manager or Managers will be determined in accordance with the evaluation criteria defined by IPERS.

J. EVALUATION OF PROPOSALS

An Evaluation Committee will meet to evaluate and score the proposals. Upon completion of the Evaluation Committee's evaluation, finalist interviews will be, and office visits may be, conducted with some candidate firms. Determination of whether to conduct interviews and which firms to interview is at the sole discretion of the Evaluation Committee. A determination to execute a contract may be made by the IPERS Investment Board without an interview, upon recommendation of the Evaluation Committee. IPERS' Investment Board will make the final Manager selection(s).

K. EVALUATION CRITERIA

Proposals will be evaluated using the following criteria:

Organization/Firm	10%
Product	10%
People & Experience	10%
Investment Process	40%
Performance	20%
Fees	10%

L. THE RESULTING CONTRACT

The contract that IPERS expects to award as a result of the RFP will be based upon the proposal submitted by the successful Manager and this RFP. The contract between IPERS and the Manager shall be a combination of the specifications, terms and conditions of the RFP, including the terms contained in Part 4 of this RFP, the offer contained in the proposal submitted by the Manager, any written clarifications or changes made in accordance with the provisions herein, and any other terms deemed necessary by IPERS.

Firms submitting proposals are urged to carefully read the contract in Part 4 prior to making their proposals. IPERS reserves the right to add provisions to the contract to be consistent with the Manager's offer and to negotiate with the Manager other additions to, deletions from, and/or changes in the language of the contract, provided that no such addition, deletion, or change in contract language would, in the sole discretion of IPERS, affect the evaluation criteria set forth herein, or give the successful firm a competitive advantage. Firms should plan on such terms being included in any contract awarded as a result of this RFP.

All exceptions to the proposed contract in Part 4 of this RFP must be clearly identified in response to question Part 3, J. Firms are cautioned that any exception submitted that will cause a failure to meet a mandatory requirement of the RFP will not be accepted. Prior to award, the apparent winning proposal(s) will be required to enter into discussions with IPERS to resolve any contractual differences before an award is made. These discussions are to be finalized and all exceptions resolved within one week of notification; if not, the firm's proposal may be rejected and discussions may be initiated with other firms that submitted proposals.

By submitting a proposal, each firm acknowledges its acceptance of these specifications, terms and conditions without change except as otherwise expressly stated in its proposal.

M. TERM OF CONTRACT

The contract shall be for a six-year period from the date of its execution. The resulting contract may be terminated at IPERS' discretion, with or without cause, after thirty (30) days written notice to the Manager.

N. SCHEDULE OF EVENTS

1. **February 1, 2007** - RFP IS ISSUED
2. **February 15, 2007** - INQUIRIES - Inquiries and requests for interpretation or clarification of the RFP from potential bidders will be accepted only via e-mail. All inquiries must be received no later than 3:00 p.m. CST, February 15, 2007. Firms must e-mail their inquiries to Wilshire Associates at the following address:

   mgrsearch.neill@sm.wilshire.com

3. **February 21, 2007** – RESPONSE TO INQUIRIES - Responses to and addenda resulting from requests for interpretation shall be e-mailed to all RFP recipients no later than 4:30 p.m. CST, February 21, 2007
4. **March 1, 2007** – PROPOSALS DUE – The original proposal must be received at the IPERS Headquarters by 3:00 p.m. CST, March 1, 2007.
5. **April/May 2007** – FINALIST INTERVIEWS - Members of the Evaluation Committee, and possibly members of the IPERS' Investment Board, may interview finalist firms in Des Moines, Iowa.
6. **June 2007** (Tentative) – ANNOUNCEMENT OF SELECTION – The System will notify all firms that submitted a proposal of its selection, which shall be subject to successful negotiation of a contract with the selected firm(s).

PART 3

QUESTIONNAIRE

A. MINIMUM REQUIREMENTS

The proposal must answer the following questions:

1. Is your firm a registered investment advisor under the Investment Advisors Act of 1940? If yes, provide the firm's SEC File Number (e.g. 801-xxxxx) and attach a copy of the firm's most recently filed Form ADV as **Exhibit A** to your proposal. If your firm is exempt under the bank exemption, please provide proof of such exemption.
2. Does your firm have a minimum of $2 billion in total assets under management as of December 31, 2006?
3. Does the Product utilize a manager of managers or fund of funds approach?
4. Is the firm willing and able to offer the Product in a separate account?
5. Is the firm willing to perform its services under a performance-based fee arrangement?
6. Provide as **Exhibit B** (formatted as shown in Appendix I) a performance composite demonstrating your firm's ability to manage a global multi-strategy, multi-asset class investment product with a proven and verifiable minimum 5-year record as of December 31, 2006 of outperforming its index benchmark since inception on a cumulative basis using returns that fully comply with the Global Investment Performance Standards (GIPS) (note: simulated or back tested results for <u>any</u> or all of this period are not acceptable). Also in **Exhibit B** provide a copy of the verification letter if product performance has been verified by an independent third party.
7. Provide as **Exhibit C** (formatted as shown in Appendix I) a performance composite for the Product, <u>as defined in this RFP</u>, which must have either 3-month LIBOR or 91-day Treasury Bills as its benchmark. The composite must have a proven and verifiable minimum 1-year record as of December 31, 2006 of outperforming its benchmark since inception on a cumulative basis using returns that fully comply with GIPS (note: simulated or back-tested results for any or all of this period are not acceptable.) The composite must also have a minimum of $400 million of assets under management as of December 31, 2006.
8. Is the firm willing and able to provide full transparency (i.e., names and number of securities and prices for each security, whether long or short, and leverage exposures) for the Product on a daily basis?
9. Does the Product provide complete cash liquidity upon at least five business days notice?
10. Is the firm willing to allow IPERS, and/or its investment consultant, direct access to the firm's prime brokerage relationships (if any) in order to conduct periodic independent due diligence?

B. ORGANIZATION/FIRM

1. Provide all of the following information:

Name of Firm:	
Contact:	
Title:	
Address:	
Telephone #:	
Facsimile #:	
E-Mail Address:	

2. Describe the history and ownership of the firm, including:
   a. Year firm was formed and began managing assets.
   b. The ownership structure. Indicate all entities that have an ownership stake in the firm (name and percentage).
   c. Affiliated companies or joint ventures.
   d. Recent or planned changes to the ownership or organization structure.
   e. Locations of firm's ***asset management*** offices, and the function, number of professionals, and product focus for each office.
3. Provide an organization chart that diagrams the ownership and interrelationships between the parent-subsidiary, affiliate, and joint venture entities, if any. Attach the chart to the proposal as **Exhibit D**.
4. Over the past five years, has your organization or any officer or principal been involved in any business litigation or other legal proceedings related to any investment activities? If so, provide a brief explanation and indicate the current status.

   Within the Product over the past five years, has any team member been censured, warned or otherwise formally reprimanded by a professional association or society for matters related to investment activities? Has any member of the Product team been fired or reprimanded for violating laws or company policies in the last five years?
5. Does your firm routinely engage an external, independent auditor to audit internal controls and procedures? If yes, provide as **Exhibit E** a copy of the most recent "Independent Auditors Report on Internal Controls". If your firm does not have such an audit undertaken, explain why.
6. Briefly describe your firm's recovery plans for ensuring that management of the Product continues in the event of a disaster.
7. Is the firm affiliated with a broker/dealer, investment bank, insurance company, or other lines of business that are not asset management related, but could present conflicts? If yes, briefly describe your firm's policies and procedures for dealing or trading through or with these affiliates.
8. Do you have ***any*** business relationships with Wilshire Associates (soft dollar arrangements, payments for services to or from Wilshire, etc.) ***for any reason***? If yes, please describe.

C. PRODUCT

1. Provide a brief description of the Product and summarize why the Product is suitable for the purposes of the mandate described in this RFP. How many unique sources of alpha are used within this Product? Describe these alpha sources and comment on the consistency of each source and the estimated correlations of each source to the S&P500 Index and the Lehman Aggregate Index.
2. Describe the objectives of your firm with respect to managing the future growth of the Product, commenting on plans for adding resources for portfolio management, research, trading, client service and tools/models to enhance the investment process or manage growth.
3. What capacity limitations do you believe exist with respect to assets under management in the Product? How did you arrive at those asset limits? Are companion retail mutual fund assets and assets in this category from broader mandates included in these limits?
4.. Describe your firm's investment philosophy for the Product.
    a. Why do you believe this philosophy will be successful in the future?
    b. In what market environments would you expect the Product to outperform or underperform relative to its benchmark? To a similar global macro strategy?
5. Are there any unique operational/legal issues or risks associated with your firm's Product that IPERS should be aware of? If yes, how have other public pension fund clients mitigated these issues and risks?
6. Describe the firm's investment strategy for the Product and briefly comment on the following:
    a. What, if any, changes have been made to the strategy over the life of the Product, and how do those changes relate to the current strategy?
    b. Explain any correlations between historical performance and strategy alterations.
    c. Please comment on the firm's ability to revise its strategy in the event of a large fluctuation in AUM for the Product. Describe the actions that would be implemented to successfully accommodate this fluctuation.
        i. Using the firm's current philosophy, describe how the investment strategy might change for a significant decrease in assets under management, as well as a significant increase in assets under management.
        ii. If the strategy would remain unchanged, then please elaborate.
7. List the **three (3) largest** U. S. tax-exempt pension accounts currently invested in the Product, including public and ERISA fund clients. Use the following format, ranking clients from largest to smallest by assets under management:

Name	Date of Inception	Market Value (12/31/06)

Please ensure all information requested above is provided. If you need to secure permission from the client before releasing this information, please do so before submitting proposal.

8. How many public pension fund clients use the firm to manage this Product mandate for them? What was the market value of those assets as of December 31, 2006, and how much was managed in separate accounts and how much in commingled funds?
9. Provide the client name, address, contact name, title and telephone number for:
   a. Two (2) current large public fund clients (i.e., total assets > $1 billion) that have been invested in the Product for at least three (3) years or since inception.
   b. All tax-exempt institutional clients that terminated their relationship with your firm in this Product in the last five years or since inception. Include the account strategy, type of account, market value of assets at termination, date of termination, and reason(s) for termination.
   c. The tax-exempt client that most recently hired your firm for the Product
   d. The tax-exempt client that most recently *fired* your firm in the Product
   e. The tax-exempt client with the longest relationship with your firm in the Product
   f. A tax-exempt client with a separate account similar to IPERS' proposed mandate for whom your firm has provided services for at least three years or since inception.
10. Has your firm been placed on any client's "manager watch list" for this Product within the last five years? If yes, state the year the firm was first placed on watch list status, explain why the firm was placed on the watch list, and when the firm was removed from watch list status.
11. Complete Appendix II detailing the assets managed by the Firm and include it as **Exhibit F**.
12. IPERS plans to use the Product in a portable alpha strategy. Does your firm offer the Product in a "bundled" portable alpha product where the Product and beta exposure to the S&P 500 Index could be combined? If yes, please answer the following questions:
    a. How long have you offered a "bundled" portable alpha product? How much experience does your firm have managing beta? Is beta managed by the firm's employees or by using external parties?
    b. Describe your objectives for beta exposure and how the firm manages this component to those objectives.
    c. If index futures are utilized, explain how you manage contract "rolls" and what strategies are employed to minimize the potential negative impact on performance from this activity.
    d. If index futures are utilized, describe how you manage liquidity to maintain margin accounts. What percent of the portfolio is generally held back for the margin account? Are securities utilized as collateral?
    e. If swaps are utilized, describe how liquidity is managed and discuss the firm's guidelines for managing and monitoring counter-party risks.
    f. If options are used, describe the types of instruments used, how positions are established, maintained, and revised over time, and your valuation methodology for these instruments.
    g. Would your firm ever intentionally seek to overweight or underweight beta exposure in the portfolio? e.g.., tactically manage the beta exposure to be less than or greater than 1.0 to the S&P 500 Index? If yes, please explain.

D. PEOPLE & EXPERIENCE

1. Attach as **Exhibit G** an organizational chart that diagrams the different functions (research, trading, etc.) dedicated to the Product area. Professionals should be identified with their areas of responsibility. If an Investment Committee is involved in the management of the Product, identify those professionals that are members of the committee.
2. Provide information regarding the key investment professionals involved in the Product by completing the table provided in Appendix III and including it in your proposal as **Exhibit H.**
3. Describe the compensation and incentive program for professionals directly involved in the Product. How are they evaluated and rewarded? What incentives are provided to attract and retain skillful individuals? What portion of their overall compensation is dependent upon Product performance?
4. Provide information regarding the turnover of professional personnel (i.e., portfolio managers, sector specialists, analysts, and dedicated traders) associated with the Product by completing the table provided in Appendix IV and including it in your proposal as **Exhibit I**. Discuss the causes and impact of any turnover (departures or hiring/promotions) of any professionals directly involved in the Product in the past five years.
5. Does the firm have a transition plan to deal with the possible departure of key investment professionals within the Product group? Describe the plan.

E. INVESTMENT PROCESS – PORTFOLIO CONSTRUCTION

1. Describe the firm's investment process.
   a. Provide as **Exhibit J** a flow chart that illustrates the investment process for the Product by identifying the decision-making steps and decision makers. Provide the names and structures of any relevant committees (e.g., Investment Strategy Committee, Credit Committee, Quantitative Committee, Risk Management Committee, etc.).
   b. Who is ultimately responsible for investment decisions concerning the Product?
2. Describe your portfolio construction process.
   a. What specific factors are integral to the portfolio construction process? What is the relative importance of each of these factors to overall performance of the Product?
   b. Please explain the firm's asset allocation policy and process for the Product.
      i. Please describe the methods and views incorporated into this policy.
      ii. How many asset classes are typically employed? What is the minimum number of asset classes that will be utilized? The maximum number?
      iii. What are the minimum and maximum discretionary exposure ranges for asset classes employed in the strategy? (e.g., Large cap equities: 10% to 80%, currencies: 0% to 20%, etc.)
      iv. What factors drive the decision to be long or short in an asset class or sub-asset class? What factors drive the size of the long or short asset class or sub-asset class exposure?
   c. In which countries and/or markets and currencies do you invest?

i. Please provide the list of countries and currencies and discretionary exposure ranges (i.e., minimum and maximum exposure range) for each.

ii. Describe the process which determines country or currency weights including how long or short positions are established for country and currency and the factors that drive the size of the long or short exposure.

d. What latitude is given to portfolio managers within the Product team? Are portfolio buy/sell decisions made on a team basis or by an individual portfolio manager?

e. What is the expected average contribution to total alpha from each alpha source? How much of the alpha is expected to be derived from decisions related to asset allocation, country selection, sector allocation, and individual security selection?

f. Describe your proposed investment guidelines for this Product and any limits that may apply, including the following:

i. Types of securities permitted;

ii. Any credit quality limitations for fixed income securities and the overall portfolio;

iii. Any Duration and/or maturity limitations for fixed income securities and the overall portfolio; and any sector and/or industry diversification requirements for all asset classes.

3. Are derivatives used in the Product portfolio? If yes, answer the following questions and provide a complete description of how they are used:

a. Describe the types of derivatives typically utilized and your objectives, policies, and practices regarding the use of derivatives.

b. Describe the strategies employed (e.g., delta hedges) and whether any leverage (economic and/or accounting) would be introduced to the Product as a result.

c. Describe the process used to determine relative value in derivatives and how this factors into position establishment (i.e., position size, number of contracts or swaps, duration of position, etc.).

d. Include a discussion of how the use of derivatives is consistent with your approach to add value.

e. If applicable, provide the dollar amount of notional exposure of derivatives as of each quarter-end in the three-year period ended December 31, 2006.

f. Provide the estimated number and types of futures contracts in the Product portfolios and how frequently they are rolled.

g. Provide the estimated number and types of swaps utilized in the Product, and provide the typical maturity and market index for each type.

4. Describe the typical portfolio for the Product.

a. How many securities are typically contained in a portfolio?

i. Equities

ii. Fixed Income

iii. Currencies

b. Describe how weightings to individual countries, currencies, industry/sectors and securities are determined for the Product including how long or short positions are determined and the size of those positions.

c. Provide the Product's regional (e.g., North America, Europe, Emerging Markets, etc.) country, currency and sector allocation as of each quarter-end in the three-year period, or since inception, ended December 31, 2006.

d. If fixed income securities are utilized, describe the credit quality evaluation process. Provide the Product's fixed income average credit quality rating as of each quarter-end in the three-year period, or since inception, ended December 31, 2006

e. If fixed income securities in the mortgage sector are utilized, describe the breadth of securities utilized (i.e., pass thrus, CMO's, etc.). Describe any allocation guidelines to such securities and describe the decision making process with regard to the selection of individual mortgage securities of all types.

f. Describe how value may be added through 'spread' trades or 'carry' trades.

g. Describe your buy/sell disciplines.

i. What size, quality and liquidity criteria apply to Product purchases?

ii. What factors dictate your decision to sell a security?

iii. Under what circumstances would your firm deviate from these disciplines?

5. Please articulate what makes your information gathering process unique to other strategies that rely on quantitative models which are likely accessing the same data sources. This discussion can include your approach to warehousing, data scrubbing, additional processing, incorporation of qualitative signals, etc.

6. Describe the role of research in the Product investment decisions.

a. What specific sources of information are researched?

b. How is this information incorporated into the portfolio construction process?

F. INVESTMENT PROCESS - RISK MANAGEMENT

1. Identify the key risks the firm seeks to manage with respect to the Product. Specify each risk and its degree of importance.

2. How is the Product portfolio risk managed and monitored?

a. Describe key risk management functions and the tools utilized to manage risk. Identify the systems or technologies utilized in the process.

b. Identify the individuals responsible for the risk management functions (management, monitoring, and process/tool development, maintenance, and enhancement) for the Product.

c. Who is primarily responsible for risk management? If the person responsible for risk is also the Chief Investment Officer or another investment person, please explain how the risk function can remain independent.

3. Describe how you measure and manage:
   a. (Fixed income) default risk
   b. (Fixed income) yield curve risk
   c. (Fixed income) interest rate risk
   d. (Fixed income) prepayment risk
   e. Industry/sector risk
   f. Equity market capitalization and style exposures
   g. Issuer Risk
   h. Basis risk
   i. Liquidity risk
   j. Country specific risk
   k. Currency risk
4. Describe how you monitor and manage:
   a. Portfolio risk versus the benchmark
   b. Regional and country weightings
   d. Value at risk
5. What are your policies for managing counterparty risk? Please ensure your answer also addresses diversification of counterparty risk and credit requirements of counterparties.
6. What is the maximum amount of leverage that may be employed in the Product? Historically, what is the maximum amount of leverage that you have employed? Historically, what is the average leverage amount employed?
7. Please complete the following table for each quarter for each of the last three years, or since inception and provide as **Exhibit K** to your proposal:

	Gross Exposure	Short Exposure	Net Exposure	% Levered
1QXX				
2QXX				
3QXX				
4QXX				
Year XX				

8. Explain how the firm manages liquidity risk for this Product. How does the firm ensure that it has the liquidity to meet potential margin calls and redemptions?
9. Describe your firm's processes for monitoring the Product's compliance with:
   a. Applicable laws, rules, and regulations
   b. Client guidelines
   c. Firm policies and procedures

G. INVESTMENT PROCESS - TRADING

1. Provide a description of your trading capabilities, including systems (proprietary and off-the-shelf) for execution and processing trades for the Product.
   a. Describe the depth and experience of the traders dedicated to the Product.
   b. Do portfolio managers or analysts also trade? If so, indicate when traders are utilized and when portfolio managers trade.
   c. What steps have you taken to automate the trade flow process? What areas are still handled manually?
   d. How do you ensure that clients receive "best execution"? How does your firm manage and monitor market liquidity?
   e. Describe how you monitor and measure trading costs.
   f. What are your key controls in terms of separation of duties? What is the firm's policy with respect to trading by principals and staff?
2. Describe the allocation objectives and implementation procedures across all accounts
   a. What is the process by which trades are allocated across separate accounts versus commingled or mutual funds?
   b. What processes do you have in place for ensuring pre-and post-trade guideline compliance? With what frequency are trades monitored for compliance with both client guidelines as well as firm trading policies?
3. Discuss your firm's internal monitoring process for final price determination and trade order management. Are there dedicated committees overseeing these functions? If so, please describe.
4. Describe the firm's capabilities as they relate to trading derivatives.
5. Describe how you use soft dollars, if applicable.
   a. What is your firms' policy regarding use of soft dollars?
   b. What percentage of annual trades are tied to soft dollar relationships?
6. How are broker/dealers selected, and how is their trade effectiveness subsequently monitored?

H. PERFORMANCE

1. Provide as **Exhibit L** an attribution analysis for the Product's performance for each of the last 5 calendar years (or each calendar year since inception if less than 5 years).
2. Describe how you analyze and evaluate the performance of the Product. Include a discussion of your performance attribution analysis.
   a. Describe how you conduct performance attribution analysis, indicating any models or tools used.
   b. How do you incorporate the results of the performance attribution analysis in the management of the Product?

c. Describe how the actual results of your attribution analyses compare to the expected sources of alpha.

3. Please elaborate on the returns for this Product over the past five years. Describe any periods of exceptionally strong or weak returns; any reasons for exceptionally high or low volatility.

   a. How much leverage would be employed at a targeted tracking error (active risk budget) of 5.0%?

   b. If applicable, quantify the net beta exposures of your alpha Product over the past five years and describe how this beta was determined. Please include beta exposures to major asset classes (e.g. domestic equities, domestic fixed income) or other sources that provide the most significant low correlated risk exposures in the portfolio. How has it varied over time?

   c. If your Product composite complies with GIPS Standards, include a copy of your GIPS report disclosure that you include in your marketing presentations. Reference the GIPS report located on CFA Institute's website at www.cfainstitute.org.

   d. In 250 words or less, describe how the Product composite presented in **Exhibit C** is constructed, including:

      i. Number of accounts

      ii. Total assets managed in the composite

   e. If the Product's composite does not comply with GIPS Standards, provide a brief description on why the composite does not comply with GIPS.

   f. Consistent with Section 4.B. Disclosures - Recommendations of the GIPS Standards, please answer the following questions:

      i. Portfolio valuation sources and methods used by the firm.

      ii. Any significant events within the firm (such as ownership or personnel changes) that would help a prospective client interpret the performance record.

   g. Provide the number of positive vs. negative months of performance for the Product since inception.

   h. Provide the maximum monthly drawdown for the Product, including percentage of drawdown, recovery period and reason for drawdown.

   i. Provide the Sharpe Ratio and standard deviation of the Product since inception. What is your expected Sharpe Ratio (or Information Ratio) for this Product over the next five to ten years?

I. FEE PROPOSAL

1. Provide the fee schedule for this Product as disclosed in the firm's ADV.

2. Provide the following information:

   a. The annual management fee, in basis points per annum, the firm proposes to charge IPERS as a base fee based on the assets under management in the account. If the firm uses a tiered fee structure, provide the base fee in basis points per annum that would apply to each tier of assets under management.

   b. The performance fee structure your firm would propose for this Product. Is there any fee

recapture or "high watermark"?

c. Describe any additional costs or fees (not included in the annual fee proposed above) that IPERS would be expected to pay to the firm if the mandate is managed in a separate account.

3. Describe any additional set-up or on-going operational costs (legal fees, audit fees, etc.) that IPERS could expect to incur as a result of investing in the firm's Product?

4. Would there be an additional fee to manage the underlying beta exposure, if requested? If yes, please provide the fee that would apply for such a bundled Product that uses the S&P 500 Index as its beta.

J. PROPOSED CONTRACT

Review IPERS' proposed contract in Part 4 and provide as **Exhibit M** a red-lined version of the contract that specifies any changes the firm proposes to make. Provide specific language that you propose in lieu of existing language shown in Part 4. Firms are reminded to review Part 2, L of this RFP before responding to this question.

PART 4

PROPOSED CONTRACT

INVESTMENT GUIDELINES AND INVESTMENT ADMINISTRATIVE REQUIREMENTS FOR:

Investment Manager Name & Address:

Portfolio Component Name: Global Multi-Strategy, Multi-Asset Class

In accordance with the applicable statutes and the Iowa Public Employees' Retirement System's (IPERS or System) "Investment Policy and Goal Statement," the System has appointed _____, (Manager) to provide management services for a portion of the System's assets in conformity with this executed Contract.

Term of Contract: The Contract shall be for a six-year period beginning _____.

SECTION I: DEFINITIONS

A. Active Risk shall mean the annualized standard deviation of quarterly arithmetic excess returns over the measurement period in IPERS' Account. Excess returns will be calculated by subtracting the return of the Index from the IPERS Account gross of fees time-weighted return.

B. Contract shall mean the Manager's response to Request for Proposal (RFP) #2007-6 and the Investment Guidelines and Investment Administrative Requirements, and amendments thereto.

C. Counter-Party shall mean the party or party's agent either buying Securities from or selling Securities to the IPERS Account or its agent.

D. Custodian shall mean a bank under contract with the Treasurer to custody assets and any agent with which the Custodian has contracted to settle and custody the assets of the System.

E. Execution (execute) shall mean the act of a broker following a Manager's Order by obtaining a Counter-Party for the Transaction ordered.

F. Fiscal Year shall mean the twelve-month period ending June 30.

G. Index shall mean the _____.

H. IPERS Account shall mean each and every account that the Manager manages under this Contract.

I. Manager shall mean _____, its directors, officers, employees, agents, partners, affiliates, consultants, and other persons acting under the direction and control of the Manager.

J. Order shall mean the act of the Manager instructing a broker to purchase or sell a Security for an IPERS Account and giving the terms of the Transaction to the broker.

K. Proper Instructions shall mean:

1. Written instructions to the Custodian from a person authorized by IPERS, including instructions received by facsimile and verified by signature; and

2. Electronic instructions submitted in accordance with existing requirements of the Depository Trust Company.

L. Security shall mean any investment authorized under Section II of this Contract.

M. Settlement shall mean the Custodian's transfer of cash and/or Securities to the Counter-Party in return for IPERS' Securities and/or cash in accordance with the Proper Instructions of the Manager.

N. System shall mean the Iowa Public Employees' Retirement System (IPERS), its board members, officers, and employees.

O. Transaction shall mean the purchase or sale of any Security.

P. Treasurer shall mean the Office of the Treasurer of the State of Iowa.

SECTION II: MANAGER'S DUTIES

A. MANAGER'S STYLE:

1. The Manager is retained to manage ***(this section will be negotiated and will describe the manager's style, investment procedures, and risk controls mutually agreed upon by both parties)*.**

2. Potential investments will be evaluated through disciplined and thorough investment analysis and due diligence. Factors considered in this evaluation will include, but are not limited to: ***(Insert applicable factors negotiated.)***

3. The Manager shall have full discretion to direct and manage the investment and reinvestment of the assets allocated to its accounts in accordance with the System's "Investment Policy and Goal Statement", applicable federal and state statutes and regulations, and this executed Contract.

4. The Manager shall adhere to the portfolio management/construction concepts and the principles that were in use as of the effective date of this Contract, unless modified in writing and signed by both parties prior to implementation.

5. The Manager is authorized to invest in: (*Please complete this* ***section ; however, IPERS reserves the right to negotiate this section.)***

B. MANAGER'S REPRESENTATIONS AND WARRANTIES:

1. The Manager represents, warrants, acknowledges, and agrees that:

   a. It shall obtain and maintain the following insurance coverage for the duration of the contract plus twenty-four months after expiration or termination of the Contract:

      i. Such bonds or surety agreements as may be required by the Employee Retirement Income Security Act (ERISA) of 1974;

      ii. A fidelity bond, with the System as a loss payee, in the minimum amount of $5,000,000 with a maximum deductible of $1,000,000. The bond shall cover, at a minimum, losses due to dishonest or fraudulent acts or omissions by the Manager. Proof of the existence of such fidelity bond shall annually be provided to the System; and

      iii. An errors and omissions policy in the minimum amount of $10,000,000 with a maximum deductible of $1,000,000 per claim. The policy shall cover, at a minimum, losses caused by errors, omissions, or negligent acts of the Manager. Proof of the existence of such policy shall be annually provided to the System.

   b. It is registered as an investment adviser under the Investment Advisers Act of 1940;

   c. It is a fiduciary within the meaning of ERISA with respect to the System, and that it shall discharge its duties with respect to the IPERS Account solely in the interest of IPERS' members and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

   d. It shall promptly notify the System in writing in the event that any of these representations and warranties are no longer true;

   e. It shall promptly notify the System of any actual or potential conflicts of interest arising from the Manager's relationship with any consultant identified by the System.

2. In return for IPERS' authorization of the Manager to instruct the Custodian regarding the Settlement of Transactions, the Manager represents, warrants, acknowledges, and agrees that:

   a. Prior to, and concurrent with, ordering a Transaction, the Manager shall obtain and maintain substantial knowledge of the laws, limitations, rights, restrictions, customs, practices, costs, risks and benefits with regard to:

      i. the purchase, sale, Settlement, registration, transfer of record ownership, and custody of a Security; and

ii. the ownership of such Securities by IPERS as a public employee pension plan of the United States.

b. To ensure the timely and accurate Settlement of Transactions, the Manager shall, both prior to, and concurrent with, each Transaction, take reasonable steps to obtain knowledge of the practices and policies of the Custodian with regard to settling each Transaction, including without limitation: the required delivery instructions; Settlement notification; and Securities identification information.

c. Prior to, and concurrent with, each Transaction, the Manager shall take reasonable steps to obtain and maintain the operational capacity to timely and accurately Order, Execute, and review Transactions, and to timely and accurately provide Proper Instructions to the Custodian to enable the efficient Settlement and safe custody of such Security.

C. INVESTMENT PROCEDURES:

1. The Manager shall have full discretion to establish and trade through accounts with one or more securities broker/dealer firms as the Manager may select. The Manager will attempt to obtain the "best available price and most favorable execution" with respect to all portfolio Transactions. In accordance with this principle, broker/dealer firms with an office in Iowa will be given an opportunity to compete for various transactions. The Manager shall not be responsible for any acts or omissions by any such broker/dealer or any third party not owned by the Manager, provided that the Manager is not negligent in the selection of such broker/dealer or third parties. The Manager may combine Orders on behalf of the account with Orders on behalf of other clients of the Manager or its affiliates.

2. All assets of the portfolio shall be held in custody by the Custodian bank.

3. The Manager shall trade on a delivery versus payment basis and any free-of-payment trades shall require the prior approval of the System. The Manager shall provide the System with written notification describing the terms of the Transaction and Settlement dates of any free-of-payment trades. Notification shall be faxed to the attention of the IPERS' accounting team at least forty-eight (48) hours prior to Settlement.

4. IPERS hereby authorizes the Manager to communicate directly with and give Proper Instructions to the Custodian to enable the Settlement of the Manager's purchase and sale of Securities for the IPERS Account.

5. The Manager shall provide Proper Instructions to the Custodian regarding the terms of each and every Transaction ordered. Such Proper Instructions shall be in accordance with the required policies and practices of the Custodian and shall include, without limitation, the following terms: the Counter-Party, the Counter-Party's agent for Settlement, the identification number of the Security, the series of the Security, the issuer of the Security, the amount of the Security, the settlement amount of the Security in local currency and U.S. dollars, and the date on which the Security Transaction is to settle.

6. Upon the Manager's receipt of the notice of a failed Security Settlement, the Manager shall, in conjunction with the Custodian, take prompt action to resolve the failed Settlement as soon as possible. The Manager shall communicate on a daily basis with the Custodian to resolve any and all existing failed Settlements.

7. The Manager shall promptly notify IPERS by telephone, upon the receipt of information indicating possible risks of seizure, loss or loss of use. Such telephonic notice shall be followed by written notice to IPERS within twenty-four hours.

8. Cash temporarily awaiting investment by the Manager will be invested in the STIF account of the Custodian or in securities permitted under this Contract. The investment performance of the portfolio will be calculated with the impact of the cash position included.

9. The Manager shall be responsible for verifying the accuracy of the IPERS' account statement prepared by the Custodian, including holdings, pricing, income received and receivable, and any other Transaction relevant to the portfolio as required by the System. The Manager shall provide a reconciliation statement to the Custodian describing any exceptions within ten (10) business days following the end of each month. The holdings in the IPERS Account will be priced by the Custodian and such prices will be used to measure performance of the IPERS Account. The Manager agrees to accept the prices established by the Custodian. The Manager may appeal to the System if the Manager and Custodian cannot arrive at mutually agreeable pricing on a particular security. In the event the Custodian is unable to obtain a price for a particular security, the Custodian will request a price from the Manager, which price shall be promptly provided. The manager agrees that the valuation of assets will be handled as described in Attachment 2.

10. The Manager will participate in public meetings upon the request of the System to provide information to the System concerning the investment experience of the IPERS Account and the prospective investment strategy of the Manager as it pertains to the IPERS Account.

D. REPORTS:

1. The Manager shall provide the following reports monthly within fifteen (15) business days of month-end and when possible, these reports shall be sent electronically to investments@ipers.org:

   a. Reports describing in detail the previous month's portfolio activities, including performance tabulations (gross of fees) and a summary of purchases, sales, and income received;

   b. Reports identifying the System's cost and market value of each holding at month-end; and

   c. A report identifying the brokerage firms or trading entities used during the month to trade the System's Securities, the commissions paid (if applicable) to each brokerage firm during the period, and the aggregate settlement amount of all trades executed through each brokerage firm during the month .

2. The Manager shall provide the following quarterly reports within thirty days (30) of quarter-end.

   a. A summary of quarterly performance for the IPERS Account on a net and gross of fees basis.

   b. A performance attribution analysis report identifying sources of value added or subtracted versus the Index.

   c. A "Manager Commentary" that explains performance results for the quarter, provides information relating to industries, businesses, corporation or securities held in the IPERS account, describes the Manager's current and future strategy for management of the IPERS Account, and highlights any organizational changes that occurred during the quarter that may impact the IPERS Account.

   d. A certification that the Manager is in compliance with the guidelines contained in this Contract and that no violations of these guidelines occurred during the quarter. If violations did occur, the Manager shall describe all violations that occurred.

3. The Manager shall provide the following annual reports within thirty (30) days of the end of each calendar year:

   a A comprehensive report on the Manager's use of soft dollars earned and expended resulting from its duties under this Contract. The report shall include the Products and services obtained through soft dollar arrangements and their approximate value.

   b A positive statement that affirms that the Manager is not involved in any relationships that would be considered a conflict of interest to this Contract.

   c A copy of all changes made, during the most recent year, to the Manager's proxy voting guidelines and Code of Ethics.

   d A copy of the Manager's most recent FORM ADV Part-II filed with the Securities and Exchange Commission.

e

4. The Manager will make all required filings with all applicable regulatory agencies within all prescribed deadlines on behalf of its investments for the System**.**

SECTION III: SYSTEM'S DUTIES

A. EVALUATION:

1. The System will periodically review the Manager's overall investment strategy, the Manager's progress toward meeting the System's return and risk objectives and the portfolio's structure within the guidelines listed above. The Manager's results will be measured utilizing time-weighted rates of return. The investment performance of the Manager shall be evaluated in accordance with IPERS' Investment Manager Monitoring and Retention Policy.

2. The performance objectives for the portfolio are as follows: **(State your expectations regarding minimum alpha, maximum tracking error, and expected information ratio for rolling five year periods. IPERS reserves the right to negotiate these items.)**

B. FEES:

1. The fee to be paid to the Manager is based on average month-end assets under management, payable quarterly in arrears, based on Attachment 1 ***(to be negotiated separately)***. Invoices must be received by IPERS within 90 days following the end of the covered period or such invoices may not be payable. The Manager acknowledges that invoices that are received by IPERS more than 90 days after the end of the covered period may be submitted to a state appeals board to determine whether the invoice is payable, and that payment for late invoices could be substantially delayed, or possibly denied.

2. The fees paid under this Contract include payment for all of the expenses related to the System's staff and Board members' attendance of the Manager's seminars and conferences to the extent customarily provided by the Manager to its clients.

3. No additional fees or costs for custody or other services are to be charged for management of the IPERS Account.

4. In the event an error in the calculation of fees results in overpayment to the Manager by the System, the System will apply such overpayment amount as a credit against future fees payable to the Manager until fully repaid. This paragraph shall not limit the System's other remedies regarding overpayment.

SECTION IV: GENERAL TERMS AND CONDITIONS

A. AUDIT OR EXAMINATION OF RECORDS:

1. The Manager agrees that the Auditor of the State of Iowa or any authorized representative of the State or of the System shall have access to and the right to examine, audit, excerpt and transcribe any directly pertinent books, documents, papers, and records of the Manager relating to this Contract.

2. The Manager shall retain all records relating to this Contract for five (5) years following the date of final payment or completion of any required audit, whichever is later.

3. Compliance with this clause does not relieve the Manager from retaining any records required by other laws or regulations of federal, state or local government units.

B. BREACH OF DUTY

The System has the right to terminate this Contract immediately upon learning of a breach of duty and/or confidentiality by the Manager. Breach of duty and/or confidentiality includes but is not limited to: distributing confidential information without the System's prior approval to someone other than the Manager; failing to comply with the requirements of this Contract; violating state or federal law; investing the System's funds in contravention to direct orders from the System; refusing to account to the System on a timely basis for the Manager's actions; and investing the System's funds with reckless disregard to the Proper Instructions given the Manager. This list is

illustrative only and is not meant to limit the System's definition of breach of duty and/or confidentiality.

C. CHANGES

Changes in any of the provisions of this Contract may be made only in writing and must be approved mutually by a duly authorized representative of the Manager and a duly authorized representative of the System.

D. CONFLICT OF LAWS

This Contract shall be interpreted in accordance with the laws of the State of Iowa. Any action relating to this Contract shall be commenced only in the Iowa District Court in and for Polk County and in the United States District Court for the Southern District of Iowa.

E. EMPLOYMENT OF IPERS' STAFF

The Manager shall not offer employment to an IPERS' investment unit employee who participated in the evaluation and selection or Contract negotiations or renegotiations of the Manager for one year after the Manager is retained or the Manager's Contract is renegotiated without the System's prior written approval. In addition, the Manager shall not allow a former IPERS investment unit employee to participate in consulting, marketing, or portfolio management of the IPERS relationship for a one-year period beginning with the employee's termination from IPERS employment without the System's prior written approval.

F. EQUAL EMPLOYMENT OPPORTUNITIES

The Manager shall comply with the provisions of federal, state, and local laws and regulations to ensure that no employee or applicant for employment is discriminated against because of race, religion, color, sex, disability, or national origin. The Manager shall have available on request an affirmative action policy and shall provide the appropriate state or federal agencies with reports required to ensure compliance with equal employment legislation and regulations. The Manager shall ensure that all authorized subcontractors comply with the provisions of this clause.

G. ETHICS POLICY

The Manager acknowledges that it has been provided with a copy of the IPERS Ethics Policy, and agrees to comply with that policy as a material requirement under this Agreement. Manager agrees that, except as otherwise disclosed and pre-approved by IPERS, it shall not be involved in relationships with IPERS' Key Employees or with any other party providing Products and/or services to IPERS where the relationships would constitute a conflict of interest under the IPERS Ethics Policy. In addition, Manager agrees to certify upon IPERS' reasonable request that the provisions of this paragraph continue to be true, and also to promptly notify IPERS and request a ruling using the IPERS disclosure statement at any time when the provisions of the paragraph may no longer be true because of a potential or actual conflict of interest.

H. FEDERAL AND STATE STATUTORY AND REGULATORY COMPLIANCE

It is the responsibility of the Manager to establish and maintain compliance with appropriate federal and state statutory and regulatory requirements. Failure to comply will be considered a material breach of contract and may result in its immediate termination.

I. INDEMNITY FROM LIABILITY

The Manager agrees to indemnify and hold harmless the State of Iowa, the System, and the System's staff and board members ("Indemnified Parties") jointly and severally, from and against any and all losses, claims, damages, judgments, costs (including attorney fees), or liabilities of any kind which result from the Manager's negligent or wrongful performance in breach of this Contract or of any agreement which the Manager, in its capacity as such, entered into with a third party.

The Manager shall, at its sole cost, have control over the defense, payment, settlement, or other disposition of, any third party action, claim, suit, dispute, arbitration, or proceeding (referred to in this paragraph as "action") involving any obligation or liability assumed by or imposed upon the Manager pursuant to this subsection H. The Manager shall have the right to conduct and control all negotiations and proceedings with respect thereto; provided, however, that (1) the Manager shall fully and promptly keep all Indemnified Parties informed of the status of such actions, and (2) no settlement or disposition shall be made without written approval of the System, which approval shall not be unreasonably withheld.

Notwithstanding the foregoing, an Indemnified Party shall at all times be entitled to employ counsel separate from counsel for the Manager and from any other party in such action, and in such event, the Indemnified Party and its counsel may participate in such action as it deems necessary. All reasonable fees and disbursements of such separate counsel shall be paid by the Manager. If the Indemnified Parties desire separate counsel, the Indemnified Parties (if more than one) shall select one separate counsel, unless the Manager agrees to the selection of individual separate counsel for each Indemnified Party in such action, or unless, in the reasonable opinion of the separate counsel, a conflict of interest exists or may exist between or among any Indemnified Parties, in which event those Indemnified Parties with conflicting interests shall be entitled to individual, separate counsel.

If the Manager makes any payment to an Indemnified Party under this subsection H, the Manager shall be subrogated in the amount of such payment to all rights of the Indemnified Party against any person or entity with respect to the loss or expense which caused the payment to be made.

J. INDEPENDENT CONTRACTOR:

The Manager understands and agrees that its status under this Contract shall be that of an independent contractor. The System shall not provide to the Manager an office, support staff, equipment, tools or supervision beyond what is expressly stated in this Contract.

K. MANAGER CHANGES

The Manager will provide notification to the System concerning changes in the Manager's organizational relationships, ownership, professional staff, or services which may have an impact on the Manager's service to this account. The System may request replacement of any Manager's

personnel believed unable to carry out the responsibilities of this Contract and shall approve all Manager staff members assigned to this Contract.

L. NOTICE:

Any notice, advice or report to be given pursuant to this Contract shall be delivered or mailed to:

the Manager at: INSERT MANAGER MAILING ADDRESS

the System at:

Iowa Public Employees' Retirement System

(mailing address)	**(street address)**
ATTN: Investments	ATTN: Investments
PO Box 9117	7401 Register Drive
Des Moines IA 50306-9117	Des Moines, IA 50321
E-mail: investments@ipers.org	

M. REMEDIES

In addition to the right to terminate this Contract, the System may also file suit against the Manager and any individuals involved for breach of duty and/or confidentiality. Should the System or the State obtain a judgment against the Manager as a result of a breach of contract, the Manager consents to such judgment being set-off against any monies owed by the State or System to the Manager under this or other contracts. This section shall not be interpreted to limit the State's or System's remedies as provided for by law.

N. RIGHTS IN PRODUCTS

The System retains all rights to all data reports, programs, designs and other Products that are the unique and exclusive result of this Contract. The Manager may not reproduce or otherwise use such Products of this Contract without the written consent of the System. The System reserves first publication rights to any such Products of this Contract and the System may place these Products in the public domain without permission of the Manager.

O. SECURITY OF DATA

Some data files of the System are of a confidential nature. The Manager's employees and agents shall be allowed access to these files only as needed for their duties related to the Contract and in accordance with the rules established by the custodian of the records. The Manager shall preserve the confidentiality of these files and shall maintain positive policies and procedures for safeguarding the confidentiality of such data. The Manager recognizes that it may be liable civilly or criminally for the negligent release of such information.

P.SEVERABILITY

If any provision of this Contract is deemed to be invalid or unenforceable, the remainder shall be valid and enforceable.

Q. SUBCONTRACTS AND ASSIGNMENTS

The Manager shall receive the System's written approval of all subcontracts and assignments entered into by the Manager for the purpose of completing the provisions of this Contract. All such subcontractors and assignees shall be procured with adequate attention to the principles of competition and reasonableness of costs. All records relating to subcontracts and assignments shall be available for audit or examination as stipulated in paragraph A above.

R. TAXES - STATE AND LOCAL

The System is exempt from federal excise taxes, and from state and local sales and use taxes on the services supplied pursuant to this Contract. No payment will be made for any such taxes nor for any taxes levied with respect to the Manager's employees' and agents' compensation.

S. TERMINATION

IPERS reserves the right to terminate this Contract without penalty under any one of the following circumstances:

1. At IPERS' discretion, with or without cause, after thirty (30) days written notice to the Manager;

2. As a result of the Manager's default or material breach of contract; or

3. As a result of the non-availability or non-appropriation of funds. IPERS shall have the right to terminate this Contract without penalty after 30 days written notice to the Manager documenting the lack of funding, program discontinuance or alteration. In the event of termination of the Contract due to non-availability or non-appropriation of funds, the exclusive, sole and complete remedy of the Manager shall be payment for services rendered prior to termination.

T. WAIVER OF INFORMALITIES

Failure of the System at any time to require strict performance of any provision of this Contract shall not constitute a waiver of that provision nor in any way limit the enforcement of the provision.

U. WARRANTY AGAINST CONTINGENT FEES

The Manager warrants that no person or selling agency has been employed or retained to solicit and secure this Contract upon an agreement or understanding for commission, percentage, brokerage or contingency; excepting bona fide employees or selling agents maintained by the Manager for the purpose of securing business. For breach or violation of this warranty, the System shall have the right to award this Contract without liability, or in its discretion, to deduct from the Contract price or to otherwise recover, the full amount of such commission, percentage, brokerage or contingency.

Iowa Public Employees' Retirement System(Manager)

By: _____

Name:_____

Title:_____

Date:_____

By: _____

Name:_____

Title: _____

Date:_____

Attachment 1

Manager Compensation: Performance Fee Calculations

To Be Negotiated

Attachment 2

Valuation of Assets

The invested assets shall be valued in accordance with the following principles and methods of valuation:

1. Unlisted Securities for which over-the-counter market quotations are readily available (including listed securities for which the primary market is believed to be the over-the-counter market) will be valued at the mean of the most recent bid and asked prices as supplied by recognized quotation services or by broker/dealers.

2. Securities listed and traded primarily on a securities exchange will be valued at the last reported sale price, or if there has been no sale that day, at the mean of the last reported bid and asked prices, using prices as of the close of trading on the exchange.

3. In situations where securities or other assets do not have readily available market quotations, the Manager shall work with the Custodian to identify an independent broker/dealer capable of pricing the securities or assets in question. If necessary, the Manager shall provide information to the Custodian and/or broker/dealer as needed in order to facilitate the pricing of securities and other assets.

4. In the event the Manager and Custodian cannot identify an independent pricing source for a security or other asset, the Manager shall notify the System in writing. If the System concurs with the Manager's and Custodian's determination that an independent pricing source is unavailable, the System shall instruct the Custodian to value the security and other assets at fair value as determined in good faith by the Manager.

PART 5

SUMMARY OF REQUIRED EXHIBITS

The Firm's proposal must include the following Exhibits:

Exhibit A: Form ADV

Exhibit B: A table (formatted as shown in Appendix I) a performance composite demonstrating your firm's ability to manage a global multi-strategy, multi-asset class investment product with a proven and verifiable minimum 5-year record as of December 31, 2006 of outperforming its index benchmark since inception on a cumulative basis using returns that fully comply with the Global Investment Performance Standards (GIPS) (note: simulated or back tested results for <u>any</u> or all of this period are not acceptable).Also provide a copy of the verification letter if product performance has been verified by an independent third party.

Exhibit C: A table (formatted as shown in Appendix I) a performance composite for the Product, <u>as defined in this RFP</u>, which must have either 3-month LIBOR or 91-day Treasury Bills as its benchmark. The composite must have a proven and verifiable minimum 1-year record as of December 31, 2006 of outperforming its benchmark since inception on a cumulative basis using returns that fully comply with GIPS (note: simulated or back-tested results for any or all of this period are not acceptable.) The composite must also have a minimum of $400 million of assets under management as of December 31, 2006.

Exhibit D: An organization chart that diagrams the ownership and interrelationships between the parent-subsidiary, affiliate, and joint venture entities, if any.

Exhibit E: A copy of the firm's most recent "Independent Auditors Report on Internal Controls".

Exhibit F: A table (formatted as shown in Appendix II) that provides information regarding the assets under management by the firm.

Exhibit G: An organizational chart that diagrams the different functions (research, trading, etc.) dedicated to the Product area. Professionals should be identified with their areas of responsibility. If an Investment Committee is involved in the management of the Product, identify those professionals that are members of the committee.

Exhibit H: A table (formatted as shown in Appendix III) that provides information regarding the key investment professionals involved with the Product.

Exhibit I: A table (formatted as shown in Appendix IV) that provides information regarding the turnover of professional personnel involved with the Product.

Exhibit J: A flow chart that illustrates the investment process for the Product by identifying the decision-making steps, decision makers and outcomes.

Exhibit K: A chart as described in Part 3, F.7.

Exhibit L: An attribution analysis as described in Part 3, H.1.

Exhibit M: A red-lined version of the contract provided in Part 4 that specifies any changes the firm proposes to negotiate if selected for the mandate.

PART 6

APPENDICES

Appendix I

Composite Performance

Provide the monthly return information (gross of fees) for the composite <u>since its inception</u>. If necessary, add additional rows to the beginning of the table

Year	Month	Total Return % (gross of fees)	Benchmark Return	Number of Portfolios	Dispersion	Total Assets at End of Period ($ millions)	Percentage of Firm's Assets
2001	Jan.						
2001	Feb.						
2001	Mar.						
2001	Apr.						
2001	May						
2001	June						
2001	July						
2001	Aug.						
2001	Sept.						
2001	Oct.						
2001	Nov.						
2001	Dec.						
.	.						
.	.						
.	.						
.	.						
2006	Jan.						
2006	Feb.						
2006	Mar.						
2006	Apr.						
2006	May						
2006	June						
2006	July						
2006	August						
2006	Sept.						
2006	Oct.						
2006	Nov.						
2006	Dec.						

Appendix II

Assets Under Management

	As of 12/31/2006	As of 12/31/2005	As of 12/31/2004	As of 12/31/2003	As of 12/31/2002
All Firm Investment Management Products					
Total AUM:					
# of clients:					
# of public pension fund clients:					
AUM for public pension fund clients:					
Tax Exempt Only AUM:					
Product					
Total AUM:					
# of clients:					
# of public pension fund clients:					
AUM for public pension fund clients:					
Tax Exempt Only AUM:					
Product in Bundled Portable Alpha Products*					
Total AUM:					
# of clients:					
# of public pension fund clients:					
AUM for public pension fund clients:					
Tax Exempt Only AUM:					

* Product in Bundled PA Products are portable alpha products that overlay an index exposure onto the Product portfolio.

Appendix III

Product Personnel Information

Name of Professional	Title/Responsibilities	Years of Experience*	Years with Firms' Product*	Degrees/ Designations	Sponsoring Body/School
Portfolio Management:					
Research:					
Trading:					

*** As of 12/31/06.**

Appendix IV

Personnel Turnover

Indicate when and why any professional dedicated to the Product left or joined the firm in the past five years. What were/are their job responsibilities? For personnel who have left indicate job titles and years with the firm and who replaced them.

Date	Name/Title	Responsibilities	Years at Firm	Reason for Leaving	Replaced by (name/title)
Departed:					
Joined:					

SUMMARY:

	Total # of Professionals	# Joined	# Departed	% Turnover
2001				
2002				
2003				
2004				
2005				
2006				