

**IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (“IPERS”)  
TREASURY INFLATION PROTECTED SECURITIES (“TIPS”)  
INVESTMENT MANAGEMENT SERVICES  
RFP # I-2010-3**

**Responses to Bidder Questions  
2/5/10**

**1. We respectfully submit the following questions in connection with the above referenced RFP.**

**a. Part 1.B Definition of Product (p.3): The first point defines the "Product" as being "actively or passively managed" with "an investment objective of outperforming a U.S. Tips total return benchmark...." Is the client interested in a passive ONLY management strategy that would only seek to meet the benchmark?**

IPERS is interested in reviewing proposals for both actively and passively managed strategies. Passive products should have an investment objective of closely tracking the performance of a U.S. TIPS total return benchmark, while active products should have an investment objective of outperforming a U.S. TIPS total return benchmark.

**b. Part 1.C Minimum Requirements (p.4): Point 7 requires that the manager be willing to accept a performance-based fee. Would this pertain to a passive (ONLY) strategy?**

No, this will not pertain to a passive only strategy. *IPERS has amended the RFP to clarify this point. Please review the amendment to the RFP, which is also posted on Wilshire's website.*

**c. Part 3.J Fee Proposal (p.17) Point 2 requests both a performance-based fee and a flat fee. Are both required or may either be provided?**

Both are required for an actively managed strategy.

**d. Part 3.D Product (p.13): Point #1 requests a correlation of the Product to the Barclays Capital Universal and Aggregate Indices. Can you provide information as to the background around selecting broad benchmarks for this portfolio which is more narrowly focused on TIPS? Does IPERS expect the Product to perform favorably against the broader benchmarks.**

The intent of the question is to determine the diversification potential of the proposed Product relative to the traditional broad market benchmarks. The benchmark for the IPERS mandate will be a U.S. TIPS total return benchmark, yet to be determined. IPERS does not expect the proposed Product to perform favorably against the broader fixed income benchmarks in all market environments, nor will the IPERS mandate be measured against these broader benchmarks.

**2. On behalf of XYZ, thank you for taking the time to address the following questions re: IPERS' RFP #I-2010-3 for Treasury Inflation Protected Securities (TIPS) investment management services.**

**a. For the minimum requirement 'The firm managing the Product must have a minimum of \$1.0 billion of assets under management in inflation hedging strategies as of September 30, 2009' – is this exclusive to TIPS holdings or will other real assets be considered?**

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This minimum requirement is exclusive to portfolio strategies which include at least 70% of their portfolio holdings in U.S. TIPS, on average, over the 12 quarter period ending September 30, 2009.

- b. For the minimum requirement ‘The firm managing the Product must have a minimum of \$1.0 billion of assets under management in inflation hedging strategies as of September 30, 2009’ – is this specific to TIPS only strategies or will TIPS managed exposure in multi-sector and/or other inflation hedging strategies be considered for the \$1.0 billion asset under management minimum requirement?**

See response to Question 2.a.

- c. Given the minimum requirement ‘The Product’s holdings must show that at least 70% of the portfolio was invested in U.S. Treasury Inflation Protected Securities (U.S. TIPS), on average, over the twelve (12) quarter period ending September 30, 2009’ – what latitude of non-US TIPS exposure (i.e. global TIPS, nominal treasuries, commodities/REITS/other real assets) will be considered for this mandate?**

Managers will be permitted to have wide discretion within public markets for the 30% of remaining portfolio exposures not invested in U.S. TIPS.

- d. In addition to outperforming a TIPS total return benchmark, what additional benchmark indices are being considered for the mandate?**

While the specific benchmark has not yet been determined for this mandate, we do expect that a U.S. TIPS total return benchmark will be the primary benchmark.

- e. What target fees levels would likely be considered for manager/mandate consideration?**

None have been established. Proposed fees will be evaluated relative to the other bidders’ proposed fees.

- f. Will the lack of large public fund (or other tax-exempt) clients hinder the opportunity to be considered for the mandate?**

As there is no minimum requirement pertaining to client base, lack of large public fund or other tax-exempt clients would not preclude a firm from consideration providing all stated minimum qualifications for the RFP are met.

- 3. Preface: For Exhibit L (in re: Part 3, Section I, Question 1), calendar year data is being sought. We also note that in the rest of the RFP, data is requested as of September 30, 2009. Our questions are:**

- a. for this Exhibit L, for the year 2009, should provide the entire calendar year or just data for the Jan 1, 2009 - Sep 30, 2009 period?**

For 2009, provide the requested data for the year-to-date period ended 9/30/09.

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- b. On a related note, for the correlations being sought in Part 3, Section D, Question 1, through what date should correlations be presented: as of Sep 30, 2009 or Dec 31, 2009?**

As of 9/30/09.

- 4. With regards to TIPS, we currently have \$901 million in mandates. Would IPERS be willing to make an exception to the \$1 billion AUM requirement?**

No exceptions will be made. IPERS believes the minimum level of product assets set for this mandate is appropriate to address such issues as potential manager concentration, experience investing larger institutional investment accounts, and costs and system resources.

- 5. Question: While B.1. page 3 indicates active or passive strategies are acceptable, and we do offer performance based fees in some situations, generally this is reserved for actively managed or total return strategies. Our passively managed strategies typically have pure asset based fees which is what we would expect here. In addition, the RFP indicates "an investment objective of outperforming a U.S. Tips total return benchmark...". This seems to be inconsistent with the objective for (our) passive strategies. Should we read this to mean we should not apply?**

Please see response to Question 1 and the amendment that IPERS has made to the RFP to clarify this issue.

- 6. One of the minimum requirements states that the firm must be willing to accept a performance-based fee arrangement for payment. Since we utilize a passive approach to managing our TIPS strategy, would this minimum requirement not pertain to us?**

Please review the amendment to the RFP.

- 7. In reviewing the Iowa Public Employees Retirement System RFP # I-2010-3 for the TIPS search; under Section C -- Minimum Requirements -- it is stated:**

- **The firm managing the Product must have a minimum of \$3.0 billion in total assets under management as of September 30, 2009 and**
- **The firm managing the Product must have a minimum of \$ 1.0 billion of assets under management in inflation hedging strategies as of September 30, 2009**

**Is it possible that a diverse firm could receive a waiver on these minimums?**

Please see response to question # 4.

- 8. In response to the recent RFP that was published for Iowa PERS, we have a question regarding one of the minimum requirements in Part 1 Section C. The requirement says that the firm must manage at least \$1.0 billion of assets in inflation hedging strategies. Currently at ABC we manage roughly \$650MM, is there any flexibility in this minimum requirement or will this disqualify us from submitting an RFP.**

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Please see response to question # 4.