

**REQUEST FOR PROPOSAL
FOR
GLOBAL CUSTODY &
SECURITIES LENDING
SERVICES
Questions and Answers**



State Treasurer Michael L. Fitzgerald

**Issued by the
Office of the Treasurer of State
November 8, 2013**

Questions and Answers

1. **Please provide transaction counts for both domestic and global trading activity.**
Please see file entitled Transaction Volumes FY13 on website:
http://www.treasurer.state.ia.us/the_treasurers_office/requests_for_proposals/

2. **Please provide transaction counts for derivatives and identify whether they are simple or complex.**
Approximately 10,501 futures transactions occurred in FY 2013
Approximately 1,717 margin variations wires occurred in FY 2013
Approximately 164 Options (round trip) were booked in FY 2013
Approximately 258 Swap transactions (OTC) took place in 2013

3. **Please provide the monthly or annual number of outgoing wire transfers**
Approximately 614 outgoing wire transfers in FY 2013

4. **Please provide the number of pay-downs**
Approximately 10,159 pay-downs were processed in FY 2013

5. **Please provide number of free receipts and reregistration's in the abandoned property portfolio**
In FY 2013, 1767 free receipts were processed in the abandoned property security portfolio and 94 Mutual Fund accounts were opened at the Fund houses. In FY 2013, 430 free deliveries were done to satisfy claims.

6. **In the IPERS portfolio are the Credit Opportunity portfolios separately managed or line items?**
The Credit Opportunities asset class currently consists of three separate accounts and all the securities are held by the custodian.

7. **Do you use a trade order management system for the internally managed portfolios?**
No.

8. **Please identify the accounts for which you will require performance measurement reporting.**
IPERS requires performance measurement accounting on all of their accounts (approximately 40). Performance measurement reporting is required on the following PORs, JRS, and Non-Pension accounts:

PORS	JRS	Non-Pension
Westfield Capital	Victory Capital	Allmerica
Fisher	William Blair	Dix Hills
Vanguard Total Market	Wasatch Advisors	Invest in Iowa
Baillie Gifford	Baillie Gifford	State Operating Fund
Principal US Property	Guggenheim	TIG
Principal Enhanced	Principal	Tradition
Loomis Sayles	Cash	
Dix Hills		
Cash		

9. **Please identify the accounts for which you will require compliance reporting.**
Currently IPERS does not use a custodian for compliance reporting. If IPERS were to use this service, they would expect it on all of IPERS' publicly traded active management accounts (currently about 20 accounts). Compliance reporting is required on the following PORs, JRS, and Non-Pension accounts:

PORS	JRS	Non-Pension
Westfield Capital	Victory Capital	Allmerica
Fisher	William Blair	Dix Hills
Vanguard Total Market	Wasatch Advisors	State Operating Fund
Baillie Gifford	Baillie Gifford	TIG
Principal US Property	Guggenheim	Tradition
Principal Enhanced	Principal	
Loomis Sayles	Cash	
Dix Hills		
Cash		

10. Do you use an external firm for abandoned property administration or do you do it internally?

Treasurer administers unclaimed property program internally.

11. With respect to securities lending, do you have any impaired assets with your current provider?

No.

12. Please clarify the second sentence in Section Four: Contract Information, 4.1 Contract Terms and Conditions on page 20 of the RFP, particularly regarding the 'exclusion' of any exceptions taken by Firm, and also confirm that Firm's proposed alternative language for terms, conditions, requirements or other provisions of the RFP and Appendices the Firm finds exception to in accordance with Section 4.1 will be made a part of any resulting contract or be open to negotiation.

Responding Firms must meet and comply with all of the requirements and procedures set forth in Section 4.1 of the RFP. The Treasurer will only consider a responding Firm's exceptions and proposed alternative contract language if the Firm has met and complied with such requirements and procedures. Any alternative language proposed by a selected Firm in accordance with the RFP requirements will only be made a part of any resulting contract if the Treasurer agrees to the proposed language in writing and such language is expressly incorporated into any resulting contract.

13. Please provide us with the average daily balance of short term "sweep" funds.

We are unable to provide average daily balances. However, quarterly average balances are listed below.

Quarterly average balances are as follows:

Local Currency Code	Base Market Value	Local Market Value
ARS Total	661.89	3,319.44
AUD Total	2,219,431.91	2,244,826.07
BRL Total	65,165.32	132,546.70
CAD Total	561,122.13	559,802.95
CHF Total	109,909.85	505,018.35
CLP Total	266.89	854,694.30
DKK Total	69,077.11	162,940.76
EUR Total	1,925,343.44	3,171,870.21
GBP Total	418,490.86	108,225.94
HKD Total	760,205.76	10,872,557.68
HUF Total	-0.01	2,866,961.07

IDR Total	0.00	2,511,251.50
INR Total	380,332.45	219,950,600.90
ISK Total	40,209.10	2,513,158.25
JPY Total	4,476,353.93	191,235,054.45
KRW Total	3.46	38,351.07
MXN Total	278,695.74	3,687,784.75
MYR Total	11,655.34	431.89
NZD Total	180,366.34	118,142.11
PEN Total	468.03	303,182.46
PLN Total	0.31	9,349,454.55
RUB Total	262,783.50	24,797.14
SEK Total	45,198.63	457,375.31
SGD Total	74,620.96	126,047.47
TWD Total	504,844.04	5,553,229.25
ZAR Total	4,022.26	-2.06
USD Sweep	712,924,289.75	

- 14. The RFP requests 1 original and 5 copies of the proposal and supporting documentation. Given the large volume of paper that would generate, and being mindful of the environment, would it be acceptable for us to provide one master version of the RFP with all supporting exhibits printed and an additional 5 copies of the RFP printed but with the exhibits provided on a CD or a link to the exhibits hosted on our website?**

It is acceptable for Firms to provide one master version of the RFP with all supporting exhibits printed and an additional 5 copies of the RFP printed but with 2 copies of the exhibits provided on a CD or USB drive. A link to a website is not acceptable.

- 15. G-1, General Ledger Download – Is the expectation that the G/L interface will be in place at the time of the transition?**

Yes.

- 16. C-5, Mgr Sign-off - Is this required on all holdings, all managers? Should we assume this is a Formal sign-off?**

A "formal" daily sign-off is not currently in place. Currently, custodian performs a monthly reconciliation for all actively managed accounts. Daily reconciliations are limited to daily control processes and the release of electronic information to managers each day.

- 17. Contract item #63 - Valuation of "non-custodied" investments, RE, PE, Timber. How quickly after month/quarter/year end are valuations provided to your current custodian?**

IPERS lags valuations by one quarter for its private equity portfolio, so those valuations are usually available within 30 days of quarter-end. Real estate and timber valuations are not lagged, so those valuations can be provided usually within 45 to 60 days of quarter-end.

Securities Lending:

- 18. Does TOS currently have any impaired assets in their cash collateral pool related to lending; if so, how much? What is the current unrealized loss?**

No impaired assets

- 19. If applicable, how does TOS intend to fund the legacy assets? Will they fund them with loans from securities lending?**

N/A

- 20. Can you please provide your current cash collateral holdings particularly the impaired assets (if any)?**

Please see Securities Lending Collateral excel file on website:

http://www.treasurer.state.ia.us/the_treasurers_office/requests_for_proposals/

- 21. If non-cash collateral is fully indemnified, would you accept additional forms of non-cash collateral?**

For purposes of the Firm's estimate, please assume current investment guidelines.

- 22. Does TOS intend to put any limits on your program (i.e. minimum spreads, Total on loan)?**

While not currently contemplated, it is always a possibility.

- 23. Do you intend to lend in Taiwan?**

Taiwan is not prohibited under our current guidelines.

- 24. What is your current fee split?**

88/12 split between Client and Firm

- 25. Do you require any/all securities be recalled to vote proxy?**

The investment manager and/or Client can decide to vote proxy, but it's at their discretion.

Asset / Account Structure:

- 26. Holdings Excel Files (3): Can you include columns for each holding stating settlement currency, price, market value, and underlying custody account name?**

Please see revised holdings files on website:

http://www.treasurer.state.ia.us/the_treasurers_office/requests_for_proposals/

- 27. Appendix B – Asset Information: Can you list for each account if it is a separate account or a line item account?**

Please see revised Appendix B on website:

http://www.treasurer.state.ia.us/the_treasurers_office/requests_for_proposals/

- 28. Can you estimate the number of buy / sell transactions by country of settlement?**

Please refer to the response to Question #1.

Investment Analytics:

- 29. Do you require performance returns down to the individual security level or asset class level?**

We require calculation of a return for each manager account and each asset class, plus several specialty composites. We do not currently require returns down to the security level.

- 30. Can you estimate the number of consolidations/aggregates required for performance? Also, do you require any consolidations/aggregates for attribution and for analytics; if so how many for each?** Approximately 40

31. Can you estimate the number of custom benchmarks you require?

Most of IPERS' managers and asset classes are benchmarked against public market indices, so the only customizing for those managers or asset class is the occasional situation where IPERS will change a benchmark, which then requires preserving past benchmark returns to a point in time and adding in the new benchmark returns from that point forward. If that is considered a customized benchmark, then IPERS estimates 30 to 50 custom benchmarks may be required. The Treasurer's Office currently uses 3 custom benchmarks, PORS uses 3 custom benchmarks, and JRS uses 1 custom benchmark.

32. Do you require universe comparison reporting? Yes If so, can you estimate the number of rankings (accounts and consolidations) you require? IPERS estimates 30 to 50 would be needed. PORS estimates 9, and JRS estimates 7.**Alternative Investments:****33. Can you give additional detail on the level of performance reporting you require for limited partnerships. Do you require IRR performance based on GP reported values? Cash adjusted values? Both?**

If IPERS decided to use the custodian to calculate performance at the LP level, it would look for IRRs based on both.

34. How does the custodian receive LP statements? Does TOS forward to the custodian or does the custodian receive them directly from the partnership? Does TOS have a preference?

LP statements are not provided to the custodian bank. IPERS receives all LP statements and reconciles those statements to activity and valuations reported to the custodian bank by the discretionary private equity manager.

35. Do you require document collection and archiving of documents sent by private equity and real estate managers? No**Investment Analytics & Performance Measurement:****36. What Investment Analytics services do you currently use?**

Analytics (including access to equity and fixed income characteristics) are currently in use for Compliance Reporting and GASB 40 reporting.

37. Other than Performance Measurement, Universe Comparison, and VaR analysis, is there any other services you require for Performance Measurement? No, but we are open to considering services that we may not currently use. Do you require daily or monthly reporting? We currently require monthly performance reporting for publicly traded asset mandates, with quarterly performance reporting to include all public and private asset accounts as well as total fund. We may be interested in obtaining daily reporting for publicly traded assets in the future.

- a. **Please provide volumes for accounts and composites?** Assume 40 to 50 accounts and up to 40 composites
- b. **Basic rates of return or drill-down/detailed level rates of return(e.g., sector level)?** Basic, although internal rate of return calculations are required for the private equity performance.

38. Attribution and Characteristics- daily or monthly reporting? Quarterly attribution will do.

- a. **Please breakout volumes for fixed income and equity accounts.** Assume 12 active fixed income accounts & 25 active equity (US and international combined)

- b. **How many portfolios would require attribution reporting?** Approximately 35
39. **Ex-ante Risk Measurement - do you require daily or monthly reporting?** Monthly
- How many accounts?** Approximately 50
 - How many asset per account;** Over 200
 - Can you please provide the latest holdings? We need to determine the complexity.**
Please refer to the response to Question #26.
40. **Please confirm you require quarterly TUCS (Trust Universe Comparison Service) reporting.**
Yes

Custody:

41. **Please provide a detailed holdings file in excel format including the following fields: Account Name, Account Number, Security Description, Security Type, Cusip Number, ISIN or Sedol, Units, Market Value, and Country of Settlement.**
Please refer to the response to Question #26.
42. **Please provide annual transaction volumes by country, with transaction type (buy, sells, maturities, redemptions, income, etc.) for all US and Non-US activity.**
Please refer to the response to Question #1.
43. **Please provide market values by country of settlement for all separately managed global assets.**
Please refer to the response to Question #26.

Liquidity:

44. **What are your average cash balance levels, both in USD and foreign currency? If there are foreign currencies, what is the currency breakdown?**
Please refer to the response to Question #13.
45. **What investment vehicle (STIF, Money Market Fund, or other) is utilized for short-term cash today?**
IPERS, PORS, and JRS invest in Collective STIF vehicles. Non-pension portfolios utilize a variety of Money Market Mutual Funds for sweep balances
46. **What investment guidelines does the client have (regarding permissible instruments, counterparty limits, etc)?**
IPERS, PORS, and JRS can be in Qualified Collective Vehicles. Non-pension portfolios mainly use government Money Market Mutual Funds.

Alternative Investments / Private Equity and Real Estate Fund Services:

47. **Do you have any limited partnerships and if so, how are these LPs held today (i.e. individual accounts or grouped accounts)?**
Yes, well over 250 LPs at varying stages of their life cycle. IPERS has a private equity account. Within the account, a dummy security is created for each partnership. Calls, distributions and quarterly changes in NAV are processed as buys or sells for each LP "security". The LP securities are coded in the setup process so that LPs can be aggregated or sorted into various line items (venture capital, special equity, etc.).
48. **Please provide the number alternative investment lines by asset class (i.e. X lines in Private Equity, Y lines in Hedge Funds, Z lines in Real Estate).**

See response to Question 47. IPERS has over 250 private equity LPs, but they are treated as securities and aggregate up into 2 investment lines. IPERS currently has 0 (zero) hedge fund LPs, and 2 real estate debt funds and 6 real estate equity manager separate accounts within the real estate asset class. PORS has 2 real estate funds and JRS has 1 real estate fund.

49. What alternative administration services do you currently receive from your provider(s) (current custodian or outside provider)?

None, although we do get some access to private equity universe data through our private equity manager's agreement with the provider of such data.

50. Do you require performance reporting at the fund-level? IPERS does not currently require such reporting from its custodian. If so, what is the average vintage year for your alternative investments? Vintage years span 1985 to present. And what type of benchmarking do you use today? IPERS does not currently utilize any benchmarking services through its custodial bank. IPERS does evaluate its private equity portfolio using IRRs to policy benchmarks as well as comparisons to Thomsen Reuters private equity vintage year data provided by other sources.

51. Do you require portfolio company drilldown reporting? No If so, please inform if reporting will be done as of a point in time going forward.

52. What is your transaction volume (quarterly or annually) relating to capital calls and distributions for alternative investments?

IPERS private equity program experienced approximately 600 capital calls and 750 cash distributions in the twelve month period of July 1, 2012 to June 30, 2013. IPERS' five private real estate accounts will also make monthly income distributions to IPERS.

Compliance:

53. Please clarify the frequency of valuation required for this service.

Monthly.

54. Please identify the number of accounts that require this service.

Please refer to the response to Question 9.

55. Is the State of Iowa seeking position level look-through into any commingled funds? If so, please supply the number of accounts that require this service.

Yes, on a monthly basis. IPERS currently has about 10 commingled accounts that require monthly look-thru to positions and valuations. PORS and JRS do not require look-thru accounting at this time.

Investment Accounting:

56. Please clarify the frequency of valuation required for this service.

We require monthly (month-end) general ledger entries, preferably in the form of a text file that can be loaded into our g/l system.

57. Please provide an account schematic detailing the number of plans and account type (i.e. separately managed or commingled / line item).

Please refer to the response to Question #27.

58. Is plan sub accounting required?

No

59. Is G/L data or information required at the detail or summary level? Both

60. Please provide the name of your G/L platform or system?

Microsoft Dynamics GP

Derivatives:**61. Please supply the volume of derivative trades and number of positions by product type (i.e. OTC, ETD).**

Please see the response to Question #2.

62. Do you require independent derivative valuations services for you OTC derivatives?

We do not require currently, but IPERS is interested in hearing what the service entails and its cost.

General:**63. Can you please advise what were the total custodial fees paid to your existing provider for 2011 and 2012, inclusive of all the services contemplated within your RFP?**

Custodial fees paid to current provider for the fiscal year ending June 30, 2012 were \$256,000. Custodial fees paid to current provider for the fiscal year ending June 30, 2013 were \$230,000.

Foreign Exchange:**64. Please share annual FX volumes (USD\$ Equiv) by currency pairs, broken down between custodian flow and third party flow.**

Please see the Foreign Exchange Execution FY13 file on website:

http://www.treasurer.state.ia.us/the_treasurers_office/requests_for_proposals/

65. Are portfolio managers and/or sub advisors given full discretion when managing FX needs?

All have discretion, except our private equity portfolio, where IPERS has contracted with a firm to execute FX trades on an agency basis.

a. **Does discretion vary by asset class?** See above

66. Please describe your FX process from both an internal and external management perspective including when you trade with the custodian vs. a third party, and the method of execution.

With the exception of the private equity FX trades, all of IPERS' managers have full discretion to decide which firms they utilize as counterparties in FX trades for their account.

67. How is the incumbent custodian instructed for FX transactions currently for:

a. **Trade related FX to settle security trades – standing instruction or swift messaging? Or, third party?** All of the above

b. **Asset Servicing (dividends, income, tax reclaim, corporate actions) – standing instruction or swift messaging?** Standing instruction

c. **Restricted Markets – standing instructions or swift messaging?** Various

68. Are there currently any special pricing arrangements or execution processes, e.g. restricted market exceptions, in place with the incumbent custodian? If so, please describe.

Defined by market practice

69. Is a hedging program utilized, either active or passive, to hedge any foreign currency/holding exposures?

Not at the current time, but could become a possibility in the future.

70. Can you provide an fx transaction report, preferably quarterly.

Please refer to the response to Question #64.

Legal GCA:**71. Is the Treasurer willing to negotiate the terms set forth in its standard Global Custody Agreement attached to the RFP (including, among others, issues surrounding standard of care, insurance, liabilities/indemnification, termination, lien/set-off and use of sub-custodians)?**

Please refer to the response to Question #12. The Treasurer's Office is not willing to consider exceptions to or negotiate provisions relating to the following: waiver of any rights to lien or set-off by Custodian, or indemnification by the Treasurer or any State Entity. At this time, the Treasurer's Office is also unwilling to consider or negotiate any proposed limitation of liability provision that may attempt to establish a cap on Firm's liability under the agreement or disclaim or otherwise limit Firm's liability for certain types of damages or losses, such as incidental, indirect, special, consequential, or punitive damages.

72. In Section Four: Contract Information - 4.1 (Contract Terms and Conditions), it says that "exceptions and/or proposed changes that materially change the terms, conditions, specifications or requirements of the RFP (including Appendix A and/or Appendix C as applicable) may be deemed non-responsive by the Treasurer, as determined in its sole discretion, resulting in possible disqualification of the Firm's proposal." Does that mean the Treasurer would only accept "non-material" exceptions to such terms, conditions or requirements of the RFP (including Appendix A and C)? Does that mean the Treasurer would not accept a "heavy mark-up"? In other words, are there any key terms, conditions or requirements in the RFP (including Appendix A and C) to which the Treasurer would not accept material exceptions?

Please refer to Questions #12 and #71.

73. Re Attachment 4 to the RFP, does the authorization letter implicate that the Treasurer only intend to obtain information from those persons/entities specifically listed in the Firm's responses to the RFP or does the authorization letter implicate that the Treasurer will try to obtain information from any person or entity that the Treasurer deems relevant to the Firm or its operations (even not mentioned directly in its responses to the RFP)?

Attachment 4 of the RFP authorizes the Treasurer's Office to contact any person or entity the Treasurer deems relevant for purposes of conducting its evaluation of a responding Firm and its proposal. Attachment 4 does not limit the Treasurer's ability to contact only those persons and entities listed in a Firm's response.

74. Would the Firm be required to post collateral to secure any cash balance held under the custody relationship and/or be subject to the state's/city's qualified public depository rules (or similar rules)?

If this question is referencing Section 12C of the Iowa Code, then the answer is no. For the sake of clarity, the RFP does not seek custodial services for any Iowa cities.

75. In what respect or in respect of what duties does the city/state consider the custodian to be a fiduciary?

The Treasurer's Office is willing to visit further with any selected Firm about issues relating to the fiduciary role of the custodian. The Treasurer's Office believes that Article VI, Section A of Appendix A, Global Securities Custody Agreement, makes clear that the custodian will be a fiduciary with respect to the performance of all of its duties, responsibilities, and obligations under that agreement. For the sake of clarity, the RFP does not seek custodial services for any Iowa cities.

Securities Lending

- 76. Please provide a detailed asset listing for all assets eligible for lending (in Excel format) for analysis.**

Please see revised holdings files for IPERS, PORS, and JRS on website:
http://www.treasurer.state.ia.us/the_treasurers_office/requests_for_proposals/

- 77. Please provide a detailed listing (in Excel format) for the current cash collateral investments with yields.**

Please refer to response to Question #20.

- 78. Are you expecting the transition any of these legacy cash collateral investments to the new provider? No impaired assets According to your 2012 CAFR, the IPERS securities lending revenue was approximately \$700,000- on a loan balance of just \$335mm- Can you describe why the earnings and balances are much lower than when we submitted a bid a few years back? Main change to the program since "a few years back" was changing the cash reinvestment guidelines to only allow 2a7 funds and overnight repo. Are there any restrictions in your program? Please refer to the investment guidelines in the RFP. Please detail any current/expected items which are not covered in your RFP and related documents. We believe that the relevant information is covered in the RFP and supporting documents.**

- 79. What is your current fee sharing arrangement for securities lending?**

88/12 split between Client and Firm

- 80. To the extent that a respondent is unwilling or unable to agree to share in any potential cash collateral investment losses in a separately managed account operated under guidelines approved by the TOS (Section 8.2 of the Securities Lending Authorization Agreement), will such a stance remove the candidate from consideration?**
No

Regarding Section 1.2 /L (Scope of Services/Securities Lending Services & Management of Collateral) Pages 9 & 10 and Section 1.3/Item #2 (Minimum Qualifications/Securities Lending) Page 11:

- 81. Are you accepting principal bids for securities lending services only (without cash collateral investment services)? If yes, then not all of the requirements in the above referenced sections would be applicable. No**

Assets

- 82. Please provide CUSIP level holdings in an Excel file in order to accurately complete the estimates/worksheets.**

Please refer to the response to Question #76.

Standard of Care

- 83. Please define "fiduciary" as the standard would apply to the sec lending agent?**

The Treasurer's Office is willing to visit further with any selected Firm about issues relating to the fiduciary role of the securities lending firm. The Treasurer's Office believes that Section 5.1 of Appendix C, Securities Lending Authorization Agreement, makes clear that the securities lending firm will be a fiduciary with respect to the performance of all of its duties, responsibilities, and obligations under that agreement.

84. What is the basis for the definition of “fiduciary”; for example, is there a statutory provision or body of law that would clarify the definition?

Please refer to Question 83 above.

85. What aspects of the business are subject to a fiduciary standard?

Please refer to Question 83 above.

Confidentiality

86. Please provide the relevant sections of Iowa Code Chapter 22, grounds for marking proposal content confidential.

Please refer to Section 2.18 of the RFP.

Insurance

87. Citi supports its majority-owned subsidiaries through global risk financing arrangements, incorporating self-insurance and risk transfer in the maintenance of the coverages requested in Exhibit E of Appendix C. Please clarify whether strict adherence to the policies listed in Exhibit E is required and if alternate risk financing arrangements would be acceptable.

Please refer to the response to Question 12.

Legal

88. Where the contract includes provisions that are normally subject to negotiation after selection, is it sufficient to note those provisions as terms to negotiate?

It is insufficient for a Firm to only note or refer to the contract provisions it would like to negotiate. Please refer to the response to Question 12 above.

89. We have designated a number of provisions in Appendix C as being non-standard public sector contractual provisions, are the following contractual provisions negotiable:

Please refer to Question 88 above.

- a. **Sections 8.1 and 8.2 — Collateral Reinvestment**
- b. **Section 13 — Remedies for Failure to Deliver Securities**
- c. **Section 14 — Indemnity by Firm**
- d. **Section 15 — Compensation of Firm**
- e. **Section 17 — Term and Termination**
- f. **Section 22 — Waiver of Subrogation, Proceeds and Liability of Firm**

90. Can you please provide a copy of your current schedule of lending associated fees, including transaction charges?

Not applicable. There are no transaction charges or lending associated fees. There is a revenue sharing arrangement in place presently.

91. Can you disclose the current fee split and current on-loan balances by asset class (domestic equity, international equity, fixed income)? 88/12 split between Client and Firm,

Please see Securities Lending On-Loan Balances 6.30.13 file on website:

http://www.treasurer.state.ia.us/the_treasurers_office/requests_for_proposals/

92. Can you disclose the latest fiscal year’s (June 2013) net securities lending income information?

IPERS - \$3,480,431

PORS - \$120,509

JRS - \$91,703

93. Is TOS open to a model of utilizing multiple securities lending agents or will this RFP result in one award?

One award

94. Appendix C is a Securities Lending Contract for a custodial lending agent that operates a pooled lending program. We are a non-custodial third party lending agent that does not pool client assets, and our program has unique differentiators. Accordingly, we will need to make material edits to Appendix C and in light of this, we wish to request that we be permitted to provide a redline to Appendix C only if we make it to the final round of this RFP.

We require a redline draft at the time of submission of your RFP response.

95. Will TOS be using any consultant during this RFP selection process?

No

96. What is the securities lending fee split that is currently in place?

88/12 split between Client and Firm

97. Who are the current securities lending providers?

BNYM

98. Does IPERS follow ERISA guidelines or modified ERISA guidelines? If so, can IPERS state which rules apply?

Not currently

99. Do you have any impaired legacy assets that you plan to transition in-kind to the new provider? If so, please provide specific details on each holding (e.g. amortized cost, unrealized loss, etc.) and do you plan to reimburse any collateral deficiency with your current provider before converting or have any remediation plan in place (e.g. allocation earnings to reduce any collateral deficiencies)?

No impaired assets

100. Do you have any borrower restrictions, loan restrictions or caps on your lending activity?

Not currently

101. What consultant (if any) is assisting with this search?

No consultant

102. Do you have a proxy policy for securities on loan? Do you have a recall process in place? Does your custodian monitor proxies for you? Do you currently vote all proxies or just material ones?

Currently, we have no formal policy in place. The custodian sets managers up to vote proxies under direction from the Systems and ensures that the Managers receive notices as required. The Systems *can* request a recall so that a Manager can vote a particular proxy if they wish but there is no written policy. This has only been done on rare occasions that I can recall.

103. In the Securities Lending sections, question 40 on page 36 of 48:

- a. **Can IPERS provide samples of “(the) universe of other similar large institutional securities lending programs” that are acceptable to IPERS?**

Unfortunately, no. We have not found such a universe yet. IPERS would welcome a lending agent that would help create such a universe.

b. What is the benchmark IPERS currently using?

None. See above

The average monthly lending spread of IPERS' securities lending program should rank above median when measured over rolling three-year periods against a universe of other similar large institutional securities lending programs. Such universe shall be acceptable to IPERS. Lending spread refers to the intrinsic value of a securities loan, generally measured as the difference between the weighted average rebate rate for the period and the weighted average Fed Funds Effective Rate (FEDL01 <Index> on Bloomberg) for the period.

104. In the Securities Lending sections, question 40 on page 36 of 48, based on the cash collateral guidelines provided, the excess return of Effective Fed Funds (plus) 25 basis points is not attainable. Would IPERS consider revising the benchmark to Fed Funds Open (FEDSOPEN <Index> on Bloomberg) or establish a minimum spread of 10 basis points between the aggregate collateral investment fund yield and securities on loan?

While the 25 bp spread (over three years) may not be attainable in the current environment, it should remain as a reasonable goal for more normal environments. We are open to discussing minimum spreads and revised benchmarks under a new program or new agent.

The annualized monthly excess return on IPERS' collateral investment fund should exceed 25 basis points over rolling three-year periods. The monthly excess return is calculated by subtracting the monthly return of Effective Fed Funds from the collateral investment fund monthly return. Monthly returns shall be based on market value, not amortized cost.

105. Page 7, Section G, #8 referenced GASB 20. GASB 20 was superseded by GASB 62 in December 2010. Are these the Statements you are looking for support for or a different GASB Statement?

Support for GASB 20 would not be required.

106. Article VI, Section A (Page 27) of the Draft Custody Agreement (Appendix A) states that the custodian is acting as a fiduciary. Is there a statutory or legal basis for the fiduciary role of a custodian of the assets of each of the entities covered by the RFP? Is there a description of the fiduciary duties to be adhered to if the custodian is to serve as a fiduciary?

Please refer to response to Question 75

107. Is there a citation to and/or documentation of a statutory, regulatory or legal position that purports to hold that the Treasurer is prohibited from providing the custodian with indemnification?

We would be happy to discuss with any selected Firm the legal reasons why the Treasurer cannot provide indemnification. However, please understand that this particular issue will not be subject to negotiation.

108. May we add market value (USD) to the data needed for Securities Lending estimates?

Yes. We have revised the holdings excel files to include market value and other fields as requested in questions from other bidders. Revised files are on website:
http://www.treasurer.state.ia.us/the_treasurers_office/requests_for_proposals/

109. In the main RFP document, page 40, 42, and 44 for securities lending estimates reference “assume cash reinvestment guidelines as specified in Attached D”. We don’t see an Attachment D but do see guidelines in Exhibit B, Appendix C. Are there other guidelines we should be referencing?

No, the charts on pages 40, 42, and 44 should read:

“Assume Cash Reinvestment Guidelines as Specified in Appendix C, Exhibit B”