

1. I was wondering if there was any flexibility with the minimum assets requirement. Although we are growing, we are under the stated minimum of \$7 billion. We currently manage \$2.65 billion in fixed income assets and have visibility to add another \$150 – 200 million in the near term.

The \$7 billion minimum is a hard minimum.

2. Has there been any further indication that short duration might be a mix in here in addition to core?

There will be not be a short duration component to the search.

3. Our main strategy is an A or better Gov't/Corp strategy. We compare to the Barclays Intermediate A or better index which isn't widely followed. Our 5 yr number vs that index is in line. Would that take us out of the running considering we are considerably different then the Barclays Capital Universe and we don't do high yield.

Your strategy is sufficiently different that it would remove you from consideration.

4. I recognize you are not looking at municipal managers, but for the purposes of qualifying for the minimum \$7B AUM in the core/core+ space for a candidate to be able to respond to your RFP, would your definition of core/core+ include a wider parameter of taxable and muni assets? Please advise. Thanks.

The investment manager is required to possess \$7 billion in total fixed income assets. Non-core/core plus assets under management can be counted toward this total.

5. The RFP states that you are seeking investment management services for fixed income portfolios of approximately \$30-40 million and \$90-100 million respectively. Are you looking to hire just one investment manager to manage both portfolios, or are you considering selecting two managers?

There is a possibility that a different manager would be hired for each system.

6. Since there are two portfolios, is one mandate for core fixed income and the second mandate for core plus fixed income, or do both portfolios use the same investment guidelines in which a "plus" allocation is permitted?

Both portfolios will utilize similar "core plus" investment guidelines

7. In the Minimum Requirements, it states that "a minimum of \$7 billion of U.S. domestic fixed income assets under management for proposals in the core and core plus categories" is required. Can you clarify how "core" is defined? While we manage about \$13 billion in firm-wide fixed income assets, the taxable component does not total \$7 billion. Is this figure a hard and fast requirement?

The investment manager is required to possess \$7 billion in total fixed income assets. Non-core/core plus assets under management can be counted toward this total.

8. Our firm currently manages \$4.5 billion in fixed income assets, with \$3.9 billion in the desired Core and Core Plus strategies and a twenty year performance track record with public fund clients. Separately managed account range in size from \$20 million to over \$800 million. Since five percent of a firm's assets in the strategy is the maximum that Iowa would allocate to a manager, our \$3.1 billion of assets in the Core Plus strategy would allow a maximum allocation of \$155 million which is well above Iowa's expected allocation as stated in the RFP Section 1.1. Would the Treasurer consider providing an exception to the Minimum Requirement outlined in Section 1.3 that requires \$7 billion in fixed income assets if the firm could meet all the remaining requirements?

The \$7 billion minimum is a hard minimum.

9. Would the Treasurer consider providing an exception to the Minimum Requirement outlined in Section 1.3 that requires \$7 billion in fixed income assets for emerging and/or minority owned firms that could meet all the remaining minimum requirements?

The \$7 billion minimum is a hard minimum.

10. Can you please clarify point 3 under section 1.3 Minimum Requirements in the Iowa Peace Officers' Retirement System/Iowa Judicial Retirement System Fixed Income RFP? Is the \$7 billion AUM figure applicable at the firm level or the Core/Core Plus product level? Later the point is made that the system will not be "more than 5% of a product's assets". For a \$100 million portfolio then the product should have more than \$2 billion. Is it correct that the minimums are \$7 billion at the firm level and \$2 billion at the product level?

The investment manager is required to possess \$7 billion in total fixed income assets. Non-core/core plus assets under management can be counted toward this total. For a \$100 million portfolio, the product should have at least \$2 billion. It is likely that an allocation to manager near the 5% of product asset level would be scaled even lower.

11. I just started looking at this and saw that there is a minimum requirement of \$7 billion AUM. We are less than that (\$1.3 billion). Does that exclude us?

The \$7 billion minimum is a hard minimum.

12. Is there any flexibility to investing in commingled vehicles or mutual funds?

No, investment must be through a separate account.

13. What is the plans flexibility in terms of investing in other below investment grade sectors (i.e. non agency MBS and Bank Loans) in addition to HY and non-US?

Investment in other non-investment grade sectors is permitted.

14. Is it acceptable to propose 2 separate strategies (or even 2 different vehicles) for each AUM mandate?

Multiple strategies may be proposed, but investment must be through a separate account.

15. Our minimum separate account size is \$75mm. Can the assets be aggregated for the purposes of management or do they need to be managed in separate, distinct portfolios?

This option could be explored.

16. If separate, distinct portfolios are required, would the Iowa PORS be open to investing in a 1940-act mutual fund?

No, investment must be through a separate account.

17. If open to a 1940-act mutual fund, would the Iowa PORS entertain a fund benchmarked to the Barclays U.S. Aggregate Index?

Investment must be through a separate account. While the manager may propose strategies not benchmarked to the Barclays U.S. Universal, performance will be evaluated primarily versus the Barclays U.S. Universal Index, and the manager will be required to utilize the Barclays U.S. Universal Index as the primary benchmark in its reporting materials.

18. We have an additional question which stems from the last paragraph in Section 2 of the IMA. Since we do not receive an "audit letter" would a "Statement of Financial Condition" by a third party auditor suffice or is the current audit letter meant to refer to a SSAE16/SAS70 review? I have copied the language from the IMA and highlighted the exact wording below for your reference.

"Prior to executing this Agreement, Manager shall provide the Client with its current audit letter, prepared by an independent auditor. During the course of this Agreement, Manager shall submit updated audit letters, prepared by an independent auditor, to the Client on an annual basis within 30 calendar days of receipt of the letter by Manager. In addition, the Manager shall provide Client with any annual audited financial report pertaining to the Investment Account within 30 calendar days of Manager's receipt of the audited report."

A Statement of Financial Condition would suffice.

19. Should there be two additional questions for Question 8 in Section 3.3 Fixed Income Philosophy and Process?

Only the two sub questions, a & b, require answers.

20. We understand, based on Section 1.3 - Minimum Requirement #6, vendors must be willing to manage the assets in a separate account. The asset size for the PORS allocation does not meet our separate account minimum investment for a core bond plus mandate. Will pooled vehicles be considered for the PORS allocation as the only investment vehicle option?

No, investment must be through a separate account.

21. If commingled pools will not be considered, is the Treasurer open to vendors proposing investment management services for only the JRS portion of this RFP?

Proposals may be submitted for a single Iowa retirement system. Note that it is the Iowa PORS system that possesses the larger mandate size.

22. Is there the ability to bundle the assets of the PORS & JRS into a single separate account with the Iowa Treasurer and the assets allocated to their respective plans at the custodian level?

This option could be explored.

23. Will other benchmarks be considered for use in management of this portfolio? We manage several US Core Full portfolios versus the Barclays Capital US Aggregate Bond Index as well.

While the manager may propose strategies not benchmarked to the Barclays U.S. Universal, performance will be evaluated primarily versus the Barclays U.S. Universal Index, and the manager will be required to utilize the Barclays U.S. Universal Index as the primary benchmark in its reporting materials. Secondary benchmarks may be utilized. Multiple strategies may be proposed.

24. We have a performance composite comprised of portfolios managed versus the Barclays Capital US Universal Index, and we plan to respond using this composite/strategy. However, to illustrate our US Core Full investment strategy, we typically populate 3rd party databases (ie- eVestment, PSN Informa, etc.) with the our US Core Full composite which uses the Barclays Capital US Aggregate Bond Index. Will the State of Iowa or Buck Consulting require us to populate a 3rd party database with the composite utilizing the Barclays Capital US Universal Index to be considered for this assignment?

While populating a 3rd party database is not required, the ability to retrieve a gross-of-fee monthly return series from either eVestment or Morningstar Direct would be helpful. Alternately, the return series can be provided on an accompanying Microsoft Excel spreadsheet file.

25. Will the portfolio be subject to any explicit investment constraints (non-US, Emerging Markets Debt, high yield credit, derivatives) not contained in the RFP?

Additional investment guideline constraints may apply, but are still to be determined. The Treasurer and its consultant will work with the selected manager(s) to determine final investment guideline constraints.

26. Can assets for the Iowa Peace Officers' Retirement System and the Iowa Judicial Retirement System be held in the same portfolio, or will two separate portfolios be required for reporting and monitoring purposes? If a division of assets is required, will commingled vehicles be considered for this assignment?

The aggregating of Iowa assets into a single account is an option that could be explored. Commingled vehicles will not be considered.

27. We understand you reserve the discretion to select managers from categories where you find unique products that can meet your policy objectives. Will a product be automatically excluded if the average high yield allocation is expected to be greater than 15%?

No

28. Should the manager expect the mandate/portfolio to be benchmarked to the Barclay's Capital Universal Index?

Yes

29. Will a manager be automatically excluded if they manage less than \$7B specifically in US fixed income core and core plus strategies?

All fixed income assets under management, including non-core, can be considered toward the \$7 billion minimum.

30. Is it the Systems' desire to hire one manager or is the hiring of multiple managers a possibility?

The preference is to hire a single manager for each system. There is a possibility that a different manager will be hired for each system.

31. Is the manager required to be currently managing public pension fund clients for a fixed income mandate?

It is not an explicit requirement.

32. Is the manager required to have specific discretionary investment guidelines regarding exposure to: single credit rating, single issue, single issuer, single sector or industry, emerging markets debt, private Placements / 144A issues?

Additional investment guideline constraints may apply, but are still to be determined. The Treasurer and its consultant will work with the selected manager(s) to determine final investment guideline constraints.

33. In regards to the Peace Officers' and Judicial Retirement System's RFP, is it possible to get a Word version of the document?

A Microsoft Word document will be made available.

34. Also, within Core plus we use commingled pools to gain exposure to the "plus" sectors. Our plus allocation ranges anywhere from 0-30%. Is the use of pools acceptable for the plus allocation?

Use of pools within a separate account is acceptable provided that an Iowa retirement system is not required to direct the investment.

35. Are there any more specific objectives with respect to this mandate's alpha target and risk budget that can be shared (in addition to the objective of net of fee returns stated in 1.1.1 of the RFP)?

Generally speaking, the Systems are seeking a strategy with an annualized standard deviation that is no greater than approximately 120% that of the Barclays US Universal Index. Strategies with more volatile risk profiles might be considered if outperformance is commensurate with the additional risk on a consistent basis.

36. Are there any plans for increases or decreases in the sizes of these mandates? In other words, are there known cash needs or cash contributions currently expected in the coming years?

It should be assumed that mandate sizes will remain within the ranges already specified.

37. Are there any guideline restrictions aside from the 20% non-US limit and 15% high yield limit stated in 1.1.2?

Additional investment guideline constraints may apply, but are still to be determined. The Treasurer and its consultant will work with the selected manager(s) to determine final investment guideline constraints.

38. Are derivatives permitted (futures, options, swaps)?

Use of derivatives will be considered, but only for the purpose of managing duration exposure.

39. Are there notional leverage limits? If so, what are they?

Additional investment guideline constraints may apply, but are still to be determined. The Treasurer and its consultant will work with the selected manager(s) to determine final investment guideline constraints. Strategies that rely on the use of leverage are being avoided.

40. Are there any other sector or security type limits to be aware of? If so, what are they?

Additional investment guideline constraints may apply, but are still to be determined. The Treasurer and its consultant will work with the selected manager(s) to determine final investment guideline constraints.

41. Can you please clarify what is needed in terms of client references in 3.4.1.
- a. Three largest longest-held clients – are you referring clients invested in any strategy or core fixed income?
 - b. Three largest public fund clients – are you referring clients invested in any strategy or core fixed income?

Required references are for clients in the strategy being proposed.

42. Can you please provide the proposal in a word document format?

A Microsoft Word document will be made available.

43. Upon evaluating the minimum requirements listed, we have affirmed that we are in good standing to respond to this RFP. We wanted to confirm that no additional statement of meeting these requirements was needed (separate from our response to the RFP), and that any further elaboration desired from the Systems would be captured in our responses to the RFP questionnaire.

No additional statement of meeting the requirements is needed.

44. Section 3.3 (Fixed Income Philosophy & Process), question #8: The question asks for a response to multiple sub-parts "questions a-e," however, we only see sub-parts a-e. Might this be a typo, or might we be missing a portion of the RFP?...Please note, that in our earlier question submission, we meant to seek clarification on Section 3.3, question #2 because we could only see questions "a-b" and NOT the full list of questions "a-e."

Only the two sub questions, a & b, require answers.

45. Our firm has over \$100 billion in assets under management, however the Core and Core Plus products have approximately \$527 million and \$419 million respectively. Each product has a track record of 4.25 years as of 12/31/2012. Would you consider these products when reviewing the RFP?

A five-year track record for the product is required

46. Our firm has several asset class composites such as Investment Grade, High Yield, CMBS, MBS, and ABS. Each of these track records is greater than 5 years. Would you consider our firm if we submitted one completed RFP and provided performance for each of these composites? When providing our 5 year return, we would compare it to our preferred benchmark.

The track record must be of a single strategy

47. Regarding section 1.3 Minimum Requirements, Item 4, is it a requirement to have a composite with a 5 year track record that has outperformed the Barclays Universal Aggregate Index?

Yes

48. Regarding section 1.3 Minimum Requirements, Item 4, is it a requirement to have a composite that has its benchmark defined as the Barclays Universal Aggregate Index?

No

49. Regarding section 1.1 Purpose, Item 2, in addition to the allocation limits of up to 20% non-US and up to 15% high yield, are there any other limits to sector allocation or duration parameters against the desired benchmark?

Additional investment guideline constraints may apply, but are still to be determined. The Treasurer and its consultant will work with the selected manager(s) to determine final investment guideline constraints.

50. I believe our firm meets all of the prerequisite requirements with one exception, the fixed income AUM requirement. Presently we manage close to \$3 billion in total with just under \$1 billion in fixed income. Clearly we are below the \$7 billion fixed income requirement as stated in the RFP. I wanted to reach out to see if this requirement could be waived if you felt our performance metrics and other measures were compelling. Otherwise if the AUM requirement is a hard restriction please let me know. I look forward to your response.

The \$7 billion minimum is a hard minimum.