

Contact: Pam Elliott Cain

PERFORMANCE REVIEW OF INVESTMENT ADVISOR

Action Requested: Receive a report on Wilshire Associates' performance.

Executive Summary: The Board of Regents employs an investment advisor and money managers to guide its policy of active, diversified investment management. Wilshire Associates has been the investment advisor to the Board and Regent institutions since May 1996.

Wilshire Associates has updated its document identifying the value-added activities for the Board as well as benchmarking their services to the Board against Wilshire's best practices.

- Wilshire's investment advisor services to the Board have met the outlined criteria established by the Regent policies.
- The portfolio is in compliance with the Board's investment policies, including objectives, investment parameters, fund manager performance reviews, and reporting requirements.
- Wilshire is conducting its duties with the same style and discipline which led to its original appointment.
- Wilshire is applying the same or better resources and commitment for which it was originally chosen.
- The interests of the Board and its institutions are being appropriately safeguarded.

Within the last year, Wilshire Associates has assisted the Board with investment related activities as follows:

- Evaluated the Board's asset allocation and recommended more diversification.
- Assisted with selection of numerous new external fund managers.
- Proposed modifications to the Board's investment policy.

Wilshire has prepared the attached PowerPoint presentation documenting its value-added activities for the Board as well as benchmarking services provided to the Board against Wilshire's best practices.

According to the Board's investment policy, a competitive Request for Proposal (RFP) process shall occur no less than every five years. At the February meeting, the Board approved the RFP for the investment advisor which is scheduled to be distributed during the spring of 2006.



Board of Regents, State of Iowa

Wilshire Review – Best Practices

March 2006

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Managing Director
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Wilshire Review – Best Practices

Board of Regents, State of Iowa

Investment Component	Wilshire Criteria - Best Practice	Status	Comments
Total Fund	Asset mix suitable for the portfolio's purpose		(+) Performed Asset Allocation Study (2005) (+) Performed Spending Policy Review (2005)
	Broad asset class diversification		(+) Portfolio has appropriate diversification across major asset classes (+) Modified investment policy to allow for broader diversification (*) implementation in process (+) Increased Int'l equity exposure from 10% to 15% (+) Added 5% Real Estate (+) Added Private Equity allocation (+) Added 5% High Yield Bond allocation
	Regular rebalancing to maintain desired risk profile		
Domestic Equity	Structured to maintain style and size neutrality		(+) Reduced growth bias by hiring small value product (LSV) in 2002.
	Appropriate level of residual risk		
	Use of qualified institutional quality managers		(+) Hired LSV (6/2002), Lotsoff Capital (3/2005), Goldman Sachs 3/2005, Artison Partners Small Growth (3/2005)
	Suitable use of active / passive strategies		(+) > 50% of large cap assets in structured (low tracking error) strategies.
	Appropriate # of managers		
	Unambiguous benchmark for each manager		

Key:	fully complies with Wilshire's Best Practices
	partially complies with Wilshire's Best Practices
	does not comply with Wilshire's Best Practices



Wilshire Review – Best Practices

Investment Component	Wilshire Criteria - Best Practice	Status	Comments
International Equity	Structured to provide exposure to all non-U.S. markets		(+) Broad diversification with current Int'l Equity Manager and revised policy (4q/2003)
	Appropriate level of residual risk		
	Use of qualified institutional quality managers		(+) Hired GMO upon AllianceBernstein termination 3/2004.
	Suitable use of active strategies		(+) 100% actively managed.
	Appropriate # of managers		(+) Consolidated all international equity investments with GMO 2004.
	Unambiguous benchmark for each manager		(+) MSCI EAFE
Fixed Income	Duration target suitable for the portfolio's purpose		(+) Managers generally maintain market duration in the aggregate.
	Structured to provide exposure to all market segments		(+) Diversified across investment grade bond market (+) added ability to invest in high yield bonds
	Appropriate level of residual risk		
	Use of qualified institutional quality managers		(+) Hired Reams (9/2002) (+) Hired Dodge & Cox upon termination of Invesco (3/2004) (+) hired Post High Yield(3/2006)
	Suitable use of active strategies		(+) 100% actively managed
	Appropriate # of managers		
	Unambiguous benchmark for each manager		(+) Manager benchmarks are appropriate.
Other	Other Searches		(+) Hired Principal Real Estate (+) Hired Lehman Brothers Private Equity fund-of-funds
	Conduct thorough quarterly performance reviews		
	Maintain a well-articulated Investment Policy Statement		(+) New policy revised (2005)
	Maintain well-articulated manager guidelines		
	Have each active manager present a review annually		(+) Annual presentation (2/2006)
	Investment education		(+) Education presentation (5/2005)

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