
**REQUEST FOR PROPOSALS
TO PROVIDE
INVESTMENT CONSULTING SERVICES
FOR THE STATE OF VERMONT'S
457 DEFERRED COMPENSATION PLAN
AND
401(a) DEFINED CONTRIBUTION PLAN**

OFFICE OF THE VERMONT STATE TREASURER

Issued February 11, 2004

Submission Deadline: March 4, 2004, by 2:00 p.m.

TABLE OF CONTENTS

	<u>Page</u>
I. Background and Purpose	3
II. Scope of Work	5
III. Term and Conditions for Submission of Proposals	7
IV. Essential Elements of the Proposal	11
V. Evaluation Criteria	15

Appendix
State Contract provisions

I. BACKGROUND

The Office of the State Treasurer and Trustees of the Vermont State Employees' Retirement System (Trustees) are seeking an individual consultant or consulting firm to review, assess, and make recommendations for the defined contribution and deferred compensation plans operating under their authority.

Retirement Operations Overview

The Retirement Office is a division of the Vermont Treasurer's Office. The office administers the three retirement systems authorized by State Statute:

- [Vermont State Employees' Retirement System \(VSERS\)](#)
- [Vermont State Teachers' Retirement System \(VSTRS\)](#)
- [Vermont Municipal Employees' Retirement System \(VMERS\)](#)

Administration of the Retirement Operations Division is conducted by the Office of the State Treasurer, under the direct supervision of the Director of Retirement Operations. The Retirement Operations Division comprises twelve (12) staff. The primary function of the staff is to serve the needs of the active contributing members and retired members receiving benefits payments. On the active member side, the Retirement Operations Division oversees enrollments, transfers, refunds, and adjustments to members' accounts. On the retiree side, the division oversees the issuance of the payroll, changes to dependents, adjustments to payments, and replacement checks. Other responsibilities include employee re-instatements, calculation of buybacks and refunds, and determination of survivor benefits.

Administration of the assets of the three retirement systems is through the Office of the State Treasurer under the authority of the Board of Trustees. The Vermont State Treasurer is a member of all three retirement system boards. The Director of Finance and Investments provides investment advice, administration, and oversight to the Office of the State Treasurer. New England Pension Consultants is currently retained as investment consultant, and investment managers are retained to manage various portfolios.

Deferred Compensation Plan Overview

The State of Vermont offers a deferred compensation plan to its state employees as outlined in section 457 of the Internal Revenue Code (the "457 Plan"). The authority to provide this plan is outlined in Vermont Statutes, Title 3 V.S.A. Chapter 22. The Board of Trustees of the Vermont State Employees' Retirement System (VSERS) is the trustee of the program, and the State Treasurer is the custodian of the funds. The Board is responsible for reviewing the mix of investment funds offered by the plan and selecting the third party administrator (TPA). The Director of Finance and Investments of the State Treasurer's Office is responsible for the review of the fund performance and for recommendations to the Board. Day-to-day interaction with the TPA is delegated to the Retirement Division which coordinates termination/separation activity and subsequent withdrawals.

Based on prior review and recommendation by the TPA, the Board of Trustees takes action on all emergency withdrawals. The third-party administrator is Great West Retirement Services.

The assets in the plan as of December 31, 2003, were approximately \$163.4 million. As of December 31, 2003, there were 5,300 participants. Participating employees made contributions in the amount of \$13.38 million in the fiscal year ending June 30, 2003.

At present, the 457 Plan has the following investment choices:

Funds of Funds

Vermont Aggressive Profile Portfolio
Vermont Moderate Profile Portfolio
Vermont Conservative Profile Portfolio

International Equity

Templeton Foreign Fund
Templeton Developing Markets Trust
T. Rowe Price International Stock Fund

Small-Cap Equity

Morgan Stanley Institutional Small Company Growth
Seligman Frontier Fund
T. Rowe Price Small Cap Stock Fund

Mid-Cap Equity

Janus Enterprise Fund

Large-Cap Equity

AIM Constellation Fund
Domini Social Equity Fund
Fidelity Magellan Fund
T. Rowe Price Equity Income Fund
Vanguard 500 Index Fund

Balanced

Dodge & Cox Balanced Fund

Bond/Fixed

FPA New Income
State of Vermont Stable Value Fund (Dwight Asset Management)

Defined Contribution Plan Overview

The State of Vermont also offers a Defined Contribution Plan to a select population of state employees as an elected alternative to the State's Defined Benefit Pension Plan. The authority to provide this plan is outlined in Vermont Statutes, Title 3 V.S.A. Chapter 16A. The State Treasurer is charged with the responsibility of offering and administering this plan. The plan qualifies as a defined contribution plan under section 401(a) of the United States Internal Revenue Code, as amended. The Retirement Division provides education/counseling, participant elections, and upon entry into the system, coordinates withdrawals, rollovers, and transfers from the defined benefit plan.

Upon termination, the office coordinates distributions with the administrator and the provision of other state benefits

Under the defined contribution plan, employees contribute 2.85% of their salary to their individual accounts and the state makes a fixed contribution of 7% to each employee's account. The defined contribution plan is administered by Fidelity Investments. Assets in the defined contribution plan at June 30, 2003, were \$26.9 million. There were 551 plan participants, 375 of which were active.

At present, the defined contribution plan has the following investment choices:

Participant Age-Based Life-Cycle Funds

Fidelity Freedom 2000
Fidelity Freedom 2010
Fidelity Freedom 2020
Fidelity Freedom 2030
Fidelity Freedom 2040
Fidelity Freedom Income

Equity Funds

Fidelity Small Cap Independence
INVESCO Dynamics
MSIF Small Company Growth
Spartan U.S. Equity Index
Fidelity Fund
Fidelity Aggressive Growth
Domini Social Equity
Fidelity Low Priced Stock
Fidelity Equity Income

Fixed Income/Stable Value Funds

Fidelity Managed Income Portfolio
Pimco Total Return

Balanced Funds

Fidelity Puritan

International Stock Funds

Fidelity Diversified International
Templeton Developing Markets Trust

II. SCOPE OF WORK

General Scope and Business Specifications

The engagement will include the following functional areas:

- Review each plan's existing investment options.
- Determine if the investment options offered by each plan are optimum choices given the considerations for diversification, risk and return.
- Assist in the development of investment policies for the plan.
- Recommend additions or deletions to investment options as needed.
- Provide a recommended transition plan and timeline incorporating any proposed changes in investment options.
- Conduct a review of each plan's pricing structure including fund management fees and terms between each plan and its third-party administrator (TPA).

Time Requirements

The anticipated project start date is March 22, 2004. Project work is to be completed by May 31, 2004.

Products

The consultant or management firm will conduct a mid-project assessment presentation to senior management staff setting forth the observations and recommendations to date.

The consultant or management firm will produce a report with recommendations on each of the areas listed under requirements.

An exit interview/presentation reviewing recommendations with the Board of Trustees and the State Treasurer will be required.

Minimum Qualifications:

The selected firm or individual must have a minimum of five years' experience providing investment consulting services. The firm or individual must provide such services to at least two 457, 401(a), defined contribution, or 401(k) plans. The firm or individual must have a client base that includes at least \$500 million in net assets under management in 457, 401(a), defined contribution, or 401(k) plans.

Additional Requirements

The selected bidder will attest that its firm and key professionals do not have or anticipate a potential conflict of interest with the Office of the State Treasurer or the Boards of Trustees of the Vermont State Retirement Systems.

Shipping and Delivery Fee Exemption

All items covered under this contract are exempt from duplicating, shipping, and related administrative charges. The bidder must not include shipping charges on any invoice.

Confidential Information

The bidder agrees that all discussions or information gained during an engagement shall be considered confidential and that no information gathered by the bidder shall be released without prior consent of the Treasurer's Office.

Reports

The bidder must make available all deliverables to the Office of the State Treasurer as scheduled, unless advised in writing of a change in schedule.

Staffing

Using all information contained in or referenced in this RFP and its prior experience, the selected bidder must provide a staffing plan identifying key personnel and their qualifications.

II. TERMS AND CONDITIONS FOR SUBMISSION OF PROPOSALS

The purpose of this section is to state the terms and conditions that will govern the submission of responses to the State in response to this Request for Proposals.

Proposal Inquiries

All inquiries concerning this RFP shall be made in writing, citing the RFP Title, Page, Section, and Paragraph, and shall be submitted to:

David T.W. Minot, Director of Finance and Investments
Vermont State Treasurer's Office
133 State Street, 2nd Floor
Montpelier VT 05633-6200
E-mail: dminot@tre.state.vt.us

Vendors are encouraged to submit questions via email.

Any individuals and/or firms that intend to submit a response are prohibited from contacting anyone other than the contact person including employees of the Office of the State Treasurer and/or Trustee of the VSERS. An exception to this rule applies to individuals or firms that currently do business with the Office of the State Treasurer and VSERS, but shall be limited to that business and should not relate to this RFP. **Failure to observe this rule may result in disqualification.** Furthermore, no other individual employee or representative of the State of Vermont is authorized to provide any information or respond to any question or inquiry concerning this RFP other than as described

herein.

All inquiries must be received no later than the date specified in this section. Inquiries received after this date and time will be addressed only if they are deemed by the Office of the Treasurer to be critical to the competitive selection process. An official written answer will be provided to all questions meeting these requirements.

In an effort to provide a fair process and complete information, all written questions and the responses will be summarized in a fact sheet that will be available to any potential respondent and posted on the Treasurer's Web site (www.vermonttreasurer.gov) by the date specified. Similar inquiries will be consolidated into one question. The name(s) of the firms submitting the questions will not be listed.

Any proposal determined to be non-responsive to the specifications or other requirements of this RFP, including instructions governing format, may be disqualified without evaluation. The Office of the State Treasurer and Trustees shall reserve the right to clarify and seek supplemental information to any proposal submitted.

Any change to or interpretation of the RFP by the Office of the State Treasurer and Trustees will be posted on the Treasurer's Web site (www.vermonttreasurer.gov). Potential bidders are encouraged to check this site frequently for any additions, clarifications, or revisions to the document.

Calendar

The following is the tentative time schedule for the selection of a vendor to provide the services described herein. All dates are subject to modification by the Office of the State Treasurer and TRUSTEES, with notice.

Issuance of RFP	February 11, 2004
Question Deadline	February 20, 2004
Question Response Deadline (by State Treasurer)	February 24, 2004
RFP Response Submission Deadline	March 4, 2004
Oral Presentations	As Needed
Approximate Contract Award Date	March 11, 2004
Approximate Start Date	March 22, 2004
Project Completion Date	May 31, 2004

No Respondent Conference

No formal Bidders' Conference will be held. Questions may be directed to the Director of Finance and Investments as noted above.

Financial Responsibility

The respondent understands and agrees that the State shall have no financial responsibility for any costs incurred by the respondent in responding to this RFP.

The successful bidder shall be solely responsible for meeting all terms and conditions specified in the RFP, its proposal, and any resulting contract. The Office of the State Treasurer and Trustees shall approve any subcontractor in advance.

The vendor's signature on a proposal submitted in response to this RFP guarantees that the prices quoted have been established without collusion with other eligible vendors and without effort to preclude the Treasurer's Office from obtaining the best possible competitive proposal.

Number of Response Copies

Please submit six (6) copies of your response to:

David T.W. Minot, Director of Finance and Investments
Vermont State Treasurer's Office
133 State Street, 2nd Floor
Montpelier VT 05633-6200

All responses must be delivered to the above office on or before March 4, 2004, at 2:00 p.m., Vermont local time. Responses received after the above date and time will not be considered.

All material received in response to this RFP shall become the property of the Office of the State Treasurer and Trustees and will not be returned to the bidder. Regardless of the bidder selected, the Office of the State Treasurer and Trustees reserve the right to use any information presented in a proposal. The content of each vendor's proposal shall become public information once a contract has been awarded.

Oral Presentations

The Office of the State Treasurer and Trustees shall have the option to invite the bidders to make oral presentations. Oral presentations provide an opportunity to evaluate a bidder through the presentation of its proposal. The Office of the State Treasurer and Trustees may limit the number of oral presentations conducted. Bidders will not be informed of their rank at the time of the oral presentations.

The time allotments and the format shall be the same for all oral presentations. Bidders will be given notice of at least two (2) business days prior to the date of an oral presentation. The Office of the State Treasurer and Trustees may waive the location and medium requirements of an oral presentation upon the written request of a bidder due to special hardships, such as a bidder with disabilities or limited resources. In these circumstances, the Office of the State Treasurer and Trustees may conduct oral presentations through an alternative written or electronic medium (e.g., telephone, video conference, TTY, or Internet).

A bidder is limited to the presentation of material contained in its proposal, with the limited exception that a bidder may address specific questions posed by a procurement team or provide clarification of information contained in its proposal. Any correction or modification of the proposal or the presentation of supplemental information shall be considered prejudicial to the interests of other bidders and fair competition, and shall not be permitted.

Effective Period of Responses

Responses must remain in effect for at least 120 days from the submission deadline, and thereafter until either the bidder withdraws the response in writing, a contract is executed, or the RFP is canceled, whichever occurs first.

Disqualification of Proposals

- A. Late Proposals: Proposals that are received after the deadline date and time shall be automatically disqualified.
- B. Non-responsive Proposals: Proposals that are not responsive or that fail to comply with mandatory requirements of the RFP shall be deemed non-responsive and shall be disqualified. Non-responsive proposals shall include, but not be limited to, those that fail to address or meet any mandatory item, and those submitted in insufficient number or in incorrect format.
- C. Collusion: Collusion by two or more bidders agreeing to act in a manner intended to avoid or frustrate fair and open competition is prohibited, and shall be grounds for rejection or disqualification of a proposal or termination of a contract.
- D. Debarred Bidders or Subcontractors: A bidder who is currently subject to any Vermont or federal debarment order or determination shall not be considered for evaluation. If a bidder's proposal is dependent upon the services of a named subcontractor and the disqualification of this named subcontractor would materially alter the proposal, then that proposal shall be deemed unresponsive if the named subcontractor is found to be debarred.

Right of Rejection by the State

Notwithstanding any other provisions of this RFP, the State reserves the right to reject all responses, to waive any irregularity or informality in a response, and to accept or reject any item or combination of items, when to do so would be to the advantage of the State of Vermont. It is further within the right of the State to reject responses that do not contain all elements and information requested in this document.

Contract Negotiations

After a review of the responses and possible oral presentations, the Office of the Treasurer and Trustees intend to enter into contract negotiations with one individual or firm. Those negotiations could include all aspects of services and fees, or the contract awards may be for segments, phases, or specific tasks associated with a proposal. The Office of the Treasurer and Trustees reserve the right to elect to award contracts of a limited scope for portions of this RFP as stated above.

If a contract is not finalized in a reasonable period of time, the Office of the Treasurer will open negotiations with the next ranked consultant or firm.

Award of Contract(s)

The respondent to whom the contract(s) is/are awarded shall be required to enter into a written contract in a form approved by the Vermont Attorney General. This RFP and the response, or any part thereof, may be incorporated into and made a part of the final contract. Customary State contract provisions are contained in Appendix B. However, the State reserves the right to negotiate the terms and conditions of the contract.

Contract Duration

It is expected that the contract will be written for an engagement from March 22, 2004, to May 31, 2004.

Terms and Conditions Agreement

In addition to any other requirements defined in this RFP, should a contract be awarded, the selected bidder is required to comply with the State of Vermont Standard Contract Terms and Conditions.

IV. Essential Elements of the Proposal

The purpose of this section is to identify the information, which should be submitted in response to this RFP and the order in which it should appear in the proposal.

Part I. Cover Letter

The proposal should contain a cover letter and introduction, including: the company name and address, and the name and telephone number of the person or persons who will be authorized to represent the proposer regarding all matters related to the proposal, including the name(s) of the individuals directly responsible for the account. The letter should also contain the following statement:

We have read the State's Request for Proposals (RFP) for investment consulting services for the 457 Deferred Compensation Plan and 401(a) Defined Contribution Plan and fully understand its intent. We certify that we have adequate personnel, equipment, and facilities to provide the State's requested services that we have indicated we can meet. We understand that our ability to meet the criteria and provide the required services shall be judged solely by the State.

In addition, the cover letter must certify that:

1. The response is genuine, and is not a sham or collusive.
2. The response is not made in the interest of or on the behalf of any person not named therein.
3. The bidder has not directly or indirectly induced or solicited any person to

submit a false or sham response or to refrain from submitting a proposal.

4. The bidder has not in any manner sought by collusion to secure an advantage over any other respondent.
5. The bidder has thoroughly examined the RFP requirements and proposed fees cover all the services that we have indicated
6. The bidder acknowledges and accepts all terms and conditions included in the RFP.
7. The bidder agrees to provide consultant services in a manner acceptable to the Treasurer's Office and Trustees of the Vermont State Employees' Retirement System as stipulated in the RFP and subsequent contract.
8. The bidder and key professionals do not have or anticipate a potential conflict of interest with the Office of the State Treasurer or the Board of Trustees of VSERS.

A person authorized to bind the firm to all commitments made in its response shall sign this letter.

Part II: Technical proposal

The bidder must include a narrative outlining the consultant's qualifications and capacity to provide the requested services. This response must include the following:

1. Describe your relevant experience and background in meeting the services outlined in the scope of services above.
2. Provide an overview of your firm's services and management approach. The narrative should demonstrate the bidder's ability to customize services to the clients needs.
3. Provide a proposed work plan for the project.
4. Please identify the individuals who would perform the work for the State of Vermont. Describe their assigned responsibilities and provide resumes, which include their public sector background, if any. Please provide an organizational chart illustrating where in the organization the consulting team is positioned. Please provide the following information:
 - Name.
 - Title.
 - Role with the State of Vermont.
 - Total years of investment consulting experience with 457, defined contribution, 401(k) or similar plans.
 - Years of investment consulting experience with the firm.

- Number and size of assigned accounts.

5. Please provide the following information pertaining to your current clients:

Portfolio Size (\$ Millions)	Category	Public Sector	Other Tax-Exempt	Other	Total
\$0-\$49	# of Clients				
	Total \$ Amount				
\$50-\$99	# of Clients				
	Total \$ Amount				
\$100-\$250	# of Clients				
	Total \$ Amount				
Over \$250	# of Clients				
	Total \$ Amount				
Total	# of Clients				
	Total \$ Amount				

Part III: Description of Firm

1. HISTORY

- What is your firm's complete name, address, voice telephone, e-mail, and fax numbers? Include the name and title of your proposed primary consultant and the location from which the consulting work will be done.
- Briefly, what is your firm's corporate history? Within the past three years, have there been any significant developments in your organization, such as changes in ownership, restructuring, or personnel reorganizations? Do you anticipate future significant changes in your organization? If yes, please describe.

2. OWNERSHIP

- Describe the ownership structure of your firm, giving specific details with regard to any parent or affiliates.
- Include an ownership organizational chart. Show and describe, if any, the distinct lines of business of your firm that are in addition to your investment consulting business.

3. ORGANIZATION

- Describe the line(s) of business of your firm, any parent organization, and any affiliated companies.
- Within the last five years, has your firm or any officer or principal been involved in any business litigation or other legal proceedings relating to your consulting activities? If so, provide an explanation and indicate the current status or disposition.

- c. Please describe the level of coverage for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. List the insurance carrier(s) supplying the coverage.

4. EMPLOYEES

- a. List senior staff hires and departures over the last three years.
- b. Provide data relating to turnover ratios of your consulting, research, and technical staff over the last three years.

5. CURRENT CLIENTS

Please provide a minimum of two and a maximum of five references for clients providing 457, defined contribution, 401(k) or similar plans. After first informing you of our intentions, the Office of the Treasurer may contact any of these clients as references.

6. FORMER CLIENTS

Please provide the names of all clients who have terminated your firm's services in the last three years. In each case, detail the reason for termination.

7. NEW CLIENTS

Please provide the names of all new client relationships gained in the last three years.

Part IV- Cost Proposal

The Cost Proposal should include:

- Overall budget
- Staff rates per hour and estimated total hours for each person assigned to the engagement.
- Other expenses or costs associated with the performance of this contract.

V. Evaluation Criteria

The factors to be used by the Treasury staff and Trustees in evaluating the proposals will include, but are not limited to, the following:

1. Experience (quantity, quality, and timeliness) of the firm and its staff with providing investment consulting services to other states or public entities with similar 457 deferred compensation, defined contribution, 401(k) or similarly operated plans. (20%)
2. Qualifications of staff to be assigned to the State of Vermont project. Particular attention will be paid to relevant experience with public entities. (20%)

3. Quality and conciseness of proposals. (10%)
4. The ability to provide the requested services. (20%)
5. The value of any new product, service suggestions, or other new ideas and enhancements. (15%)
6. Fees and compensation. (15%)

Fees and compensation will be an important factor in the evaluation of responses. However, the Office of the State Treasurer and Trustees are not required to select the low cost bidder but may select the bid that demonstrates the “best value” overall, including proposed alternatives, and that meets the objectives of this RFP. The Office of the State Treasurer and Trustees reserve the right to negotiate a change in any element of contract performance or cost identified in the RFP.

APPENDIX A

STANDARD CONTRACT PROVISIONS

STATE OF VERMONT
STANDARD CONTRACT FOR PERSONAL SERVICES

Contract # _____

1. Parties: This is a contract for personal services between the State of Vermont _____ (hereafter called "State"), and _____ with _____ principal place of business in _____ (hereafter called "Contractor"). Contractor's form of business organization is _____. Contractor (is/is not) required by law to have a Business Account Number from the Vermont Department of Taxes. Account Number is (# _____/not required by law).

2. Subject Matter: The subject matter of this contract is personal services generally on the subject of _____. Detailed services to be provided by the Contractor are described in Attachment A.

3. Maximum Amount: In consideration of the services to be performed by Contractor, the State agrees to pay Contractor, in accordance with the payment provisions specified in Attachment B, a sum not to exceed \$_____.00.

4. Contract Term: The period of Contractor's performance shall begin on _____, 20____, and end on _____, 20____.

5. Prior Approvals: If approval by the Attorney General's Office or the Secretary of Administration is required (under current law, bulletins, and interpretations), neither this contract nor any amendment to it is binding until it has been approved by either or both such persons.

- Approval by the Attorney General's Office is/is not required.
- Approval by the Secretary of Administration is/is not required.

6. Amendment: No changes, modifications, or amendments in the terms and conditions of this contract shall be effective unless reduced to writing, and numbered and signed by the duly authorized representative of the State and Contractor.

7. Cancellation: This contract may be canceled by either party by giving written notice at least ____ days in advance of the proposed cancellation date.

8. Attachments: This contract consists of ____ pages including the following attachments, which are incorporated herein:

- Attachment A – Specifications of Work to be Performed
- Attachment B – Payment Provisions
- Attachment C – "Customary State Contract Provisions" (revision date 2/95).
- Attachment D – Standards of Conduct

WE, THE UNDERSIGNED PARTIES, AGREE TO BE BOUND BY THIS CONTRACT.

by the **STATE OF VERMONT:**

by the **CONTRACTOR:**

Date: _____

Date: _____

Signature: _____

Signature: _____

**STATE OF VERMONT
CONTRACT FOR PERSONAL SERVICES**

**ATTACHMENT A
SPECIFICATIONS OF WORK TO BE PERFORMED**

(Insert Attachment A)

**STATE OF VERMONT
CONTRACT FOR PERSONAL SERVICES**

**ATTACHMENT B
PAYMENT PROVISIONS**

(Insert Attachment B)

**STATE OF VERMONT
CONTRACT FOR PERSONAL SERVICES**

**ATTACHMENT C
CUSTOMARY STATE CONTRACT PROVISIONS**

1. **Entire Agreement:** This contract represents the entire agreement between the parties on the subject matter. All prior agreements, representations, statements, negotiations, and understandings shall have no effect.
2. **Applicable Law:** This contract shall be governed by the laws of the State of Vermont.
3. **Appropriations:** If this contract extends into more than one fiscal year of the State (July 1 to June 30) and if appropriations are insufficient to support this contract, the State may cancel at the end of the fiscal year, or otherwise upon the expiration of existing appropriations authority.
4. **No Employee Benefits for the Contractor:** The Contractor understands that the State will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation and sick leave, worker's compensation, or other benefits or services available to State employees, nor will the State withhold any State or Federal taxes. The Contractor understands that all tax returns required by the Internal Revenue Code and the State of Vermont, including, but not limited to, income, withholding, sales and use, and rooms and meals, must be filed by the Contractor, and information as to contract income will be provided by the State of Vermont to the Internal Revenue Service and the Vermont Department of Taxes.
5. **Independence, Liability:** The Contractor will act in an independent capacity and not as officers or employees of the State. The Contractor shall indemnify, defend, and hold harmless the State and its officers and employees from liability and any claims, suits, judgments, and damages arising as a result of the Contractor's acts and/or omissions in the performance of this contract.
6. **Insurance:** Before commencing work on this contract, the Contractor must provide certificates of insurance to show that the following minimum coverages are in effect. It is the responsibility of the Contractor to maintain current certificates of insurance on file with the State through the term of the contract.

Worker's Compensation: With respect to all operations performed, the Contractor shall carry worker's compensation insurance in accordance with the laws of the State of Vermont.

General Liability and Property Damage: With respect to all operations performed under the contract, the Contractor shall carry general liability insurance having all major divisions of coverage including, but not limited to:

Premises - Operations
Independent Contractor's Protective
Products and Completed Operations
Personal Injury Liability
Contractual Liability

The policy shall be on an occurrence form and limits shall not be less than:

\$1,000,000 Per Occurrence
\$1,000,000 General Aggregate
\$1,000,000 Products/Completed Products Aggregate
\$50,000 Fire Legal Liability

Automotive Liability: The Contractor shall carry automotive liability insurance covering all motor vehicles, no matter the ownership status, used in connection with the contract. Limits of coverage shall not be less than \$1,000,000 Combined Single Limit.

No warranty is made that the coverages and limits listed herein are adequate to cover and protect the interests of the Contractor for the Contractor's operations. These are solely minimums that have been set to protect the interests of the State.

7. Reliance by the State on Representations: All payments by the State under this contract will be made in reliance upon the accuracy of all prior written representations by the Contractor, including but not limited to bills, invoices, progress reports, and other proofs of work.

8. Records Available for Audit: The Contractor will maintain all books, documents, payrolls, papers, accounting records, and other evidence pertaining to costs incurred under this agreement and make them available at reasonable times during the period of this contract and for three years thereafter for inspection by any authorized representatives of the State or Federal Government. If any litigation, claim, or audit is started before the expiration of the three-year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved. The State, by any authorized representative, shall have the right at all reasonable times to inspect or otherwise evaluate the work performed or being performed under this contract.

9. Fair Employment Practices and Americans with Disabilities Act: The Contractor agrees to comply with the requirements of Title 21 V.S.A. Chapter 5, Subchapter 6, relating to fair employment practices, to the full extent applicable. Contractor shall also ensure, to the full extent required by the Americans with Disabilities Act of 1990, that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by the Contractor under this contract. Contractor further agrees to include this provision in all subcontracts.

10. Set Off: The State may set off any sums which the Contractor owes the State against any sums due the Contractor under this contract; provided, however, that any set off of amounts due the State of Vermont as taxes shall be in accordance with the procedures more specifically provided hereinafter.

11. Taxes Due to the State:

a. Contractor understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of use tax on property used within the State, and corporate and/or personal income tax on income earned within the State.

b. Contractor certifies under the pains and penalties of perjury that, as of the date the contract is signed, the Contractor is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont.

c. Contractor understands that final payment under this contract may be withheld if the Commissioner of Taxes determines that the Contractor is not in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due to the State of Vermont.

d. Contractor also understands the State may set off taxes (and related penalties, interest, and fees) due to the State of Vermont, but only if the Contractor has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and the Contractor has no further legal recourse to contest the amounts due.

12. **Child Support:** (Applicable if the Contractor is a natural person, not a corporation or partnership.) Contractor states that, as of the date the contract is signed, he/she:

- a. is not under any obligation to pay child support; or
- b. is under such an obligation and is in good standing with respect to that obligation; or
- c. has agreed to a payment plan with the Office of Child Support Services and is in full compliance with that plan.

Contractor makes this statement with regard to support owed to any and all children residing in Vermont. In addition, if the Contractor is a resident of Vermont, Contractor makes this statement with regard to support owed to any and all children residing in any other state or territory of the United States.

13. **Subcontractors:** Contractor shall not assign or subcontract the performance of this agreement or any portion thereof to any other contractor without prior written approval of the State. Contractor also agrees to include in all subcontract agreements a tax certification in accordance with Paragraph 11 above.

14. **No Gifts or Gratuities:** Contractor shall not give title or possession of any thing of substantial value (including property, currency, travel and/or education programs) to any officer or employee of the State during the term of this contract.

15. **Copies:** All written reports will be printed using both sides of the paper.

Notwithstanding any other provision in this contract, the parties understand that this contract is a public record.

**ATTACHMENT D
PAYMENT PROVISIONS**

REGULATION 2001-01: STANDARDS OF CONDUCT

STATE TEACHERS' RETIREMENT SYSTEM OF VERMONT
VERMONT STATE RETIREMENT SYSTEM
VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

§1. STATEMENT OF PURPOSE

A. The Boards of Trustees of the State Teachers' Retirement System of Vermont, the Vermont State Retirement System, and the Vermont Municipal Employees' Retirement System are entrusted with the investment of public pension funds of the retirement Systems and are obligated to safeguard the funds for the benefit of members and beneficiaries. The Trustees are obligated to administer the Systems efficiently and effectively in the interests of the plans' members and beneficiaries so as to avoid waste, mismanagement, abuse, and misuse of influence. The Trustees of these public pension Systems have a duty to administer and provide benefits in a responsible manner without causing an undue burden on their members or Vermont taxpayers.

B. Trustees and employees of the Boards must maintain high ethical and moral standards both professionally and personally in order to maintain and promote public confidence in the integrity of the decisions of the Boards of Trustees relating to administration of the plans and investment of the Systems' assets. The ability to carry out these responsibilities may be impaired whenever a real or apparent conflict of interest exists between the private interest of a Trustee or Board employee and his or her official responsibilities.

C. In recognition and consideration of their responsibilities and obligations as Trustees and to further the goal of protection of the Systems' members, beneficiaries, Trustees and employees from the damage that could result from real or apparent conflicts of interest, the following Standards of Conduct are hereby adopted to assist and guide Trustees and Board employees in the exercise of professional and moral judgment.

D. This regulation is intended to implement the standards of conduct provisions of 3 V.S.A. §472(d); 16 V.S.A. §1943(d); and 24 V.S.A. §5063(e).

§2. AUTHORITY

This regulation is adopted pursuant to 3 V.S.A. §471(d) and §472(d); 16 V.S.A. §1942(f) and §1943(d); and 24 V.S.A. §5062(d).

§3. APPLICABILITY

A. These standards of conduct shall apply to the Trustees of the State Teachers' Retirement System of Vermont, the Vermont State Retirement System, and the Vermont Municipal Employees' Retirement System.

B. These standards shall apply to employees of the Boards of Trustees.

C. These Standards of Conduct are intended to supplement, and not to replace, other state and

federal laws. Where this code is less restrictive than another law, executive order, or regulation that applies to the conduct and activities of Trustees and employees of the Boards, such other stricter terms shall apply. Where this code is more restrictive than any other applicable law, executive order or regulation, the stricter standards of this code shall apply.

§4. DEFINITIONS

For the purposes of these standards of conduct, the following words have the following meanings:

- A. “Benefit” means any gain, favor, profit, reward, value, accommodation or other advantage, including a benefit to any other person in whose welfare the beneficiary is interested.
- B. "Conflict of Interest" means any personal or financial interest of a Trustee, or such an interest, known to the Trustee, of a member of his or her immediate family, household member, or business associate in the outcome of any particular matter pending before the Board. A conflict of interest includes, but is not limited to, those defined in subsection 5.
- C. “Employee of the Boards" means a person employed by a Board or Boards of Trustees. Employees of the Vermont State Treasurer's Office shall not be considered employees of the Boards.
- D. “Gift” means any form of compensation or anything of value, tangible or intangible, and includes, but is not limited to, meals, alcoholic beverages, travel fare, room and board, gratuities, entertainment, cash, goods or services.
- E. "Interest" means any personal or financial interest except an interest that is incidental to the person’s membership in the System or participation in a plan administered by the System that is no greater than that of other persons generally affected by the outcome of the matter.
- F. "Potential Vendor" means any Vendor that has bid on a System contract and any Vendor that is in the business of providing goods or services of the type routinely purchased by the System, whether or not it has bid on a System contract, including but not limited to administrative, investment, financial, banking, and consulting services.
- G. "Systems" means the State Teachers' Retirement System of Vermont, the Vermont State Retirement System, and the Vermont Municipal Employees' Retirement System.
- H. “Trustee” means any person who serves as a Trustee or any person who serves as the designee of an ex-officio Trustee or as an alternate to a Trustee of any of the Systems.
- I. “Vendor” means a natural person, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, a limited liability company, or a limited liability partnership that performs services for the Systems for direct or indirect compensation. The term includes affiliated entities and trade organizations.

§5. PROHIBITED CONDUCT: CONFLICTS OF INTEREST

The following conduct by a Trustee or an employee of the Boards creates either an actual or potential conflict of interest or the appearance of a conflict of interest and is prohibited:

- A. Solicitation or acceptance of a gift or benefit from any Vendor or potential Vendor except in accordance with Section 9(A).
- B. Solicitation or acceptance of a gift or benefit from any person or entity with a personal or financial interest in the outcome of a particular matter pending before the Board.
- C. The purchase, sale, exchange, or lease of property to or from the System which he or she serves.
- D. Acting upon or providing to any person any information relating to the investment of the System's assets prior to that information becoming public record.
- E. Acceptance of a fee, gift or other benefit for providing information relating to the System and its assets, obtained as a Trustee or employee of the Boards, whether insider or otherwise, to any other person.
- F. Participation in any breach of fiduciary duty by another person subject to this code, participation in concealing such breach, or knowingly or negligently permitting such breach to occur.
- G. Participation in a violation of these Standards of Conduct by another person subject to this code, participation in concealing such violation, or knowingly or negligently permitting such violation to occur.
- H. Acceptance of money, gifts or benefits in connection with any campaign for public office from any Vendor or potential Vendor of the System which the Trustee or employee serves.
- I. Any direct interest in the gains or profits of any investment made by the Board.
- J. Direct or indirect use of the gains or profits of any investments made by the Board, for himself or as an agent, for any purpose except to make current and necessary payments as are authorized by the Board.
- K. Becoming an endorser or surety, or in any manner an obligor, for money loaned to or borrowed from the Board.

§6. DISCLOSURE

- A. A Trustee shall disclose to the Board for the System which he or she serves all actual or potential conflicts of interest and appearances of a conflict of interest as soon as such actual or potential conflict or appearance of a conflict becomes known.
- B. Employees of a Board shall disclose all actual and potential conflicts of interest and appearances of a conflict of interest to the Board as soon as such actual or potential conflict or appearance of a conflict becomes known.

§7. RECUSAL

No Trustee shall knowingly participate in a decision or action by the Board in which he or she has an actual or potential conflict of interest.

§8. TRAVEL, CONFERENCES AND MEETINGS

A. The reasonable and necessary expenses of travel, lodging, meals, and incidentals for a Trustee or employee of a Board traveling on behalf of a Board, or in his or her capacity as a Trustee or employee, or because of his or her position as a Trustee or employee, shall be paid by the System if approved prior to the travel by the Board which the Trustee or employee serves. The agenda, written materials pertaining to the event, when available, an estimate of the cost of the trip and the names of all sponsors of the event to be attended shall be provided to the Board at the time approval is requested. If approval is granted, the Trustee or employee shall report to the Board, at the next scheduled meeting that he or she attends, on the content of the event and whether a Vendor or potential Vendor attempted to pay any expenses of the Trustee or employee or sponsored any function or event in which the Trustee or employee participated.

B. All expenses related to the travel of a spouse, family or household member, or other invitee of a Trustee, shall be paid by the Trustee or invitee.

C. Nothing in this policy is intended to limit or restrict travel to, and attendance at, an event by a Trustee or employee when attendance is in a capacity other than as a Trustee or employee and is related to his or her employment, position, membership or affiliation with another organization or entity. When traveling in a capacity other than as Trustee, a Trustee or employee shall not solicit or receive any gift including meals, alcoholic beverages, travel fare, room and board, or any other thing of value from a Vendor or potential Vendor of services to the System except in accordance with Section 9(A).

§9. GIFTS AND GRATUITIES

A. All Trustees and Employees of the Boards shall refuse to accept any gift that is received from or offered by a Vendor or potential Vendor except for the following:

1. Items or products of de minimis value of \$10.00 or less;
2. Items or products donated by a Vendor or potential Vendor and awarded at a conference attended by a Trustee as long as they are offered to participants on a random basis through a drawing, raffle or game of chance and have a value of \$100.00 or less. Any item accepted under this provision with a value of greater than \$25.00 shall be reported by the Trustee pursuant to section 9(B).
3. Food or refreshment offered during a conference that appears on the conference agenda, is an integral part of the conference agenda and is offered to all in attendance at the conference and taken in a group setting.

B. A Trustee or Employee of the Boards who receives any item or product from a Vendor or potential Vendor of more than de minimis value shall report the following to the State Treasurer's Office: a description of the product, the date of receipt, the identity of the sender or donor, the item's approximate value, and the disposition of the item by the Trustee or employee. If the item is not perishable, the item shall be promptly returned to the sender. All perishable items shall be donated to a suitable charity or placed in a publicly accessible area for general enjoyment.

C. The State Treasurer's Office shall record the information specified in section 9(B) for public inspection.

§10. INITIATION OR CONTINUATION OF CONTRACTUAL RELATIONSHIP

A. From the time a Board of Trustees has decided to obtain bids or proposals for goods or services, or from the time a Board has under consideration the decision to renew an existing contract, and until a final contract is approved:

1. No Trustee shall have any direct or indirect communication about the bid or proposal with any Vendor or potential Vendor seeking such new or continued contractual relationship with the System except at an open meeting of the Board or an authorized subcommittee of the Board.

2. An Employee of the Board shall limit his or her direct or indirect communication about the bid or proposal with any Vendor or potential Vendor during this time period to that necessary for administration of existing contracts or in connection with administration of the bid or proposal process. All communications shall be documented by the Employee and maintained as a record of the Office of the State Treasurer.

3. A Trustee who receives any direct or indirect communication outside of a meeting of the Board or an authorized subcommittee of the Board with any Vendor or potential Vendor seeking a new or continued contractual relationship with the System shall notify the Board of the communication prior to the Board's final approval of a contract.

B. A Board of Trustees shall require that all Vendors or potential Vendors seeking a new or continued contractual relationship with the System give written disclosure to the Board of all communications or contacts with any Trustees or Employee in the preceding year and any expenditures relating to those communications or contacts. Disclosure will be required before final interviews by the Board or, if there are no final interviews, before approval of a final contract.

C. A Board of Trustees may disqualify a Vendor or potential Vendor from ongoing business or potential business for any communication contrary to the provisions of this section, for attempting to pay any expenses of a Trustee or employee contrary to section 8(A), or for any other conduct having the potential to create a conflict of interest or to cause a breach of fiduciary duty.

D. This regulation shall be included as an attachment to all requests for proposals, bidding documents and contracts of the Boards. The Boards shall require all consultants who conduct manager searches or other vendor searches on behalf of the Boards to provide a copy of this policy to all vendors or potential vendors during the search process.

§11. SANCTIONS

A. A Board of Trustees may take such actions it deems appropriate if a Trustee of the Board fails to comply with the provisions of this rule including, but not limited to:

1. A recommendation that a Trustee refrain from participation and voting in a matter or matters pending before the Board.

2. A recommendation that a Trustee repay or return any gift or benefit received by a Trustee from a Vendor or potential Vendor.

3. A recommendation that a Trustee refrain from particular actions that the Board determines constitute an actual or potential conflict and are detrimental to public confidence in the system's integrity.

B. A Board of Trustees may take appropriate disciplinary action, up to and including dismissal, if an Employee of the Board fails to comply with the provisions of this rule.

Effective Date: July 18, 2001

- End -