

Responses to questions regarding “Request for Proposals to Provide Investment Consulting Services for the State of Vermont’s 457 Deferred Compensation Plan and 401(a) Defined Contribution Plan.”

1. Do you require ongoing services such as monitoring or reporting to ensure that the managers continue to meet the objectives for which they were selected?

Under this RFP we do not require services following the estimated project completion date shown on page 8 of the RFP.

2. What type of analysis do you require regarding fee arrangements with managers or TPAs? Are you interested in whether the consultant thinks that fees are reasonable and in the interests of shareholders, that the fees are not out-of-market with respect to other alternatives, or both?

We require analysis of management fees, 12b-1 fees, administrative and other fees and expenses in the context of 1) are they appropriate relative to the investment objectives of each mutual fund and 2) are the sharing arrangements with the plan administrator appropriate relative to the plans’ asset and participants’ sizes. With respect to the second question contained in 2, above, the response is, “both.”

3. What does the state of Vermont require in terms of indemnification of consultants and investment consulting services?

All contract terms beyond those to be contained in Attachments A and B to the State’s standard contract are contained in the standard contract included in the RFP. We do not anticipate providing additional contract terms with respect to indemnification.

4. Is this a one-time service or a multi-year contract (including an annual review and monitoring)?

This is a one-time multi-month contract as described in “Calendar” on Page 8.

5. Section I pages 4-5 lists fund choices for both plans. Please provide more information relating to:

- A. Type of share class of each fund.**
- B. The 457 plan Fund of Funds:**
 - i. Underlying funds in each model**
 - ii. Current Manager of models**

The Defined Contribution plan has Fidelity “no-load” funds; the Plan’s Pimco Total Return Fund is “Administrative Class”; the Domini Social Equity Fund is “no-load”; the INVESCO Dynamics Fund is Investor Class; the MSIF Small Company Growth Fund is B Class; and the Templeton Developing Markets Trust is A Class.

The 457 Deferred Compensation Plan also has no load funds. However, funds include Templeton Developing Markets Trust - A Class; Templeton Foreign Fund - A Class; Morgan Stanley Institutional Small Company Growth – B Class; Seligman Frontier - A Class; and AIM Constellation - I Class. All shares trade at net asset value.

The 457 Plan may use virtually all of the Plan's individual funds in its three Funds of Funds portfolios. The amount of each fund varies by objective (conservative, moderate, aggressive). These Funds of Funds are managed by the Plan's TPA.

6. Section II. Page 6 paragraph 1, outlines the General Scope and Business Specifications. Please provide more information relating to:

A. Fee arrangement: Is the current fee arrangement with TPA and Consultant a fee for service? Paid from plan assets by revenue sharing with mutual funds?

457 Deferred Comp Plan: Combination of per participant fee, plus the Administrator shares revenues with mutual funds.

Defined Contribution Plan: No per participant or other direct fees. Fidelity shares revenues with mutual funds.

B. Are there any expenses other than Plan Administration and Consultant fees billed to the Plan?

Yes, there is an administrative fee for both plans that offsets State of Vermont Retirement Operations departmental and miscellaneous expenses. Such administrative fees for the Defined Contribution plan come from a pool of assets paid by the employer; these fees are deducted from each participant account in the 457 plan.

C. To what extent are participant education services performed by consultant?

Each plan administrator provides education services. The Investment Consultant sought by this RFP is not expected to provide educational services.

7. General Question: Does the State give special consideration to a qualified Vermont based TPA?

All responses will be evaluated per Section V, Evaluation Criteria. The experience, ability to deliver services and cost would be primary considerations. All other factors being equal, we would look closely at a proposal by a Vermont based firm.

8. Are you looking for consulting assistance re. plan design or how to manage the fiduciary and investment risks involved with a DC program?

The primary consulting services sought by this RFP are shown in Section II, Scope of Work. Plan design, and management of fiduciary and investment risks would be directly and indirectly incorporated into these services.