



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

133 State Street
MONTPELIER, VERMONT 05633-6200
802-828-2301
www.vermonttreasurer.gov

SEALED BID REQUEST FOR PROPOSAL

§457 DEFERRED COMPENSATION PLAN AUDITING SERVICES

(As revised/updated based on responses to bidder questions)

DATE: April 4, 2005
QUESTIONS DUE BY: April 18, 2005
DATE OF BID OPENING: May 2, 2005
TIME OF BID OPENING: 2:00 P.M.
LOCATION OF BID OPENING: 133 State Street, Montpelier, VT, 2nd Floor

ALL NOTIFICATIONS, RELEASES AND AMENDMENTS WILL BE POSTED AT:
www.vermonttreasurer.gov

THE OFFICE OF THE STATE TREASURER WILL MAKE NO ATTEMPT TO CONTACT BIDDERS WITH UPDATED INFORMATION. IT WILL BE THE RESPONSIBILITY OF EACH BIDDER TO PERIODICALLY CHECK THIS SITE FOR THE LATEST DETAILS.

CONTACT: Donna Holden
TELEPHONE: (802) 828-3708
E-MAIL: Donna.Holden@state.vt.us
FAX: (802) 828-2772



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SEALED BID INSTRUCTIONS

All bids must be sealed and must be addressed to the Office of the State Treasurer, 133 State Street, Montpelier, VT 05633-6200. **BID ENVELOPES MUST BE CLEARLY MARKED 'SEALED BID' AND SHOW THE PROPOSAL TITLE, OPENING DATE AND NAME OF BIDDER.**

All bidders are hereby notified that sealed bids must be in the office of the State Treasurer by the time of the bid opening. Bidders are cautioned that it is their responsibility to originate the sending of bids in sufficient time to ensure receipt by the Office of the State Treasurer prior to the time of the bid opening. Hand-carried bids shall be delivered to a representative of the Office of the State Treasurer prior to the bid opening. Bids not in possession of the Office of the State Treasurer at the time of the bid opening will not be considered.

The Office of the State Treasurer may, for cause, change the date and/or time of the bid opening. If a change is made, the Office of the State Treasurer will make a reasonable effort to inform all bidders.

All bids will be publicly opened. Any interested party may attend the bid opening. Bid results may be requested in writing and are available once an award has been made.



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1 OVERVIEW

The following subsections provide general information about the RFP.

1.1 Executive Summary

The Vermont State Employees' Retirement System (VSERS) Board of Trustees is seeking the services of a Certified Public Accounting firm to conduct agreed upon procedures of the record keeper/TPA for their IRC §457 Deferred Compensation Plan, at the home office located in Greenwood Village, CO. In addition, a full-scope audit of the financial statements for the Plan as of 6/30/05 is also required.

Proposal specifications are set forth in Section 2, "Scope of Services."

Proposals in response to this RFP are due no later than 2:00 P.M. Eastern Time (ET) on May 2, 2005.

The VSERS Board has general oversight authority and responsibility for the §457 Deferred Compensation Plan for State and Municipal employees. The Board has appointed the Director of Retirement Operations to directly administer the Plan and supervise the general activities required of any and all administrators, advisors or accountants that are hired, and assist in development of general educational efforts for employees concerning the benefits of Plan participation.

1.2 Minimum Bidder Qualifications

The bidder shall demonstrate a minimum of 10 years of experience in public accounting, and a minimum of at least 5 years of experience conducting similar comprehensive annual financial statement audits for similar size/type plans.

Bidders shall provide a listing of audit engagements over the past five years which includes data on plan type, size, number of participants covered and other pertinent data such as number of investment options, number of participants on payout and frequency of asset transfers permitted. Bidders shall also provide their most recent peer review report.

1.3 Plan Specifications

As of December 31, 2004, 5,617 State and Municipal employees participate in the §457 Plan (5,269 State, 348 Municipal). The Plan asset balance at December 31, 2004, was \$184.21 million, including a Q4/04 contribution of \$3.68 million. The average annual contribution is \$928 per participant. A complete Q4/04 Plan review report is attached as Attachment C.

Financial Administrative Services Corporation ("FASCorp"), a Great-West Life Company, is presently the Plan's third party administrator ("TPA"). Great-West performs the recordkeeping for the Plan and is responsible for the maintenance of account records for each participant. Great-West values participant accounts on a daily basis and sends statements to participants on a quarterly basis. Great-West accepts monies that have been contributed to the Plan through automatic payroll deductions and allocates the

funds among the various investment options that are available in the Plan in accordance with participants' directions. Participants have the option of changing their investment allocations and transferring monies among investment options at any time.

The Plan's custodian is presently Orchard Trust Company ("Custodian"), and is responsible for the custody of all Plan assets. GWFS Equities, Inc. is the broker dealer and is responsible for the settlement of all trades. Both entities are wholly-owned subsidiaries of Great-West Life & Annuity Company,

The following are the basic provisions of the Plan:

Valuation Basis and Frequency

Investment options: daily, in both units and dollars.

Participants' accounts: daily, by aggregating the value of each participant's separate interests, if any, in each investment option.

Employee Statements

Written statements mailed quarterly to participants.

Account access available continuously through the telephone voice response system and Website.

Eligibility

Employees of the State of Vermont and employees of Municipalities who have elected to participate are eligible to participate in the Plan.

Commencement of Deferrals

In the month following enrollment through individual counseling sessions with Great-West representatives.

Contributions

The maximum contribution amount of \$13,000 (\$16,000 for participants over age 50) for the year 2004. No after-tax contributions permitted.

Changes in Contribution Rate

Effective the first day of any payroll period, participants may suspend or change contributions as of the first day of the payroll period, with sufficient prior notice, which is typically four-weeks.

Employer Contributions

At the present time, there are no employer contributions.

Allocations among Investment Options

Participants may allocate contributions among investment options in multiples of 1% for future contributions. Investment allocation changes are effective on the fourth business day following the request. There is no restriction on the number of times a participant may make an investment allocation change.

Transfers among Investment Options

Participants may transfer multiples of 1% of existing balances between investment options. There is no restriction on the number of times a participant may transfer existing balances except that once a participant transfers assets into the International Equity Fund, those same assets will be subject to a 2% redemption fee if removed prior to 32 days. Transfers between investment options made by participants

no later than 4:00 P.M. Eastern Time are effective that business day. Transfers between investment options made by participants after 4:00 P.M. Eastern Time are effective the next business day.

Distributions/Withdrawals

Participants in the §457 Plan may receive a distribution of their accounts upon severance of service with the State or participating Municipality. Participants may postpone distribution until the later of reaching age 70½ or severance from service. IRC §457 Plan participants may be able to receive funds during service if the Board determines that an unforeseeable emergency has occurred, as defined in the Internal Revenue Code. There is no minimum withdrawal for an emergency and no repayment required. Furthermore, §457 Plan participants' accounts that meet the IRC conditions for distribution of Small Accounts (de minimis) may be distributed. Otherwise, participants may not withdraw from their accounts while still employed by their public employer. Participants may, however, use §457 funds to purchase permissive service credits in a qualified pension system.

Distribution Methods

- a) Lump sum
- b) Periodic payments: monthly, quarterly, semi-annually, or annually
- c) Amount certain
- d) Amount certain with balance in periodic payments

Distribution Valuation

All participants continue to participate in the Plan's options until as close to the date of distribution as possible. Distributions are processed within 60 days of a participant's request. Distributions are taken proportionately from the investment vehicles, unless otherwise specified by the participant. Taxes are withheld in accordance with applicable federal regulations. The TPA issues tax statements.

Transfers and Rollovers

The §457 Plan accepts transfers from other IRC qualified plans.

Participant Quarterly Fees

Participants are assessed a uniform per participant quarterly fee of .25 basis points collected on or about the 25th day of the third month of each quarter from participant accounts and sent to the State via ACH within five (5) business days of the collection. Fees are shown on individual participant statements as such. The fee is deducted proportionately from all investment options in which the participant is invested and is shown on the individual participant's statement as such.

Participant Loans

Participant loans are not permitted under this Plan.

Plan Amendments

The VSERS Board reserves the right to amend the existing Plan provisions, including, but not limited to, the areas of contributions, investment options, transfer privileges, and distribution rights.

Investment Options

Seventeen funds are currently provided:

Investment Options	December 31, 2004 Balance: \$457 Plan
Stable Income Fund	\$56,924,467
Bond Fund	
Calvert Income	207,549
FPA New Income Fund	6,615,097
Balanced Fund	
Doge & Cox	25,849,275
Large Cap Equity Fund	
American Funds Growth Fund of America	10,728,666
Domini Social Equity Fund	5,561,201
T. Rowe Price Equity Income Fund	18,526,638
Vanguard 500 Index Fund	31,333,890
Mid-Cap Equity Fund	
Vanguard Mid-Cap Index Fund	2,265,568
Small-Cap Equity Fund	
T. Rowe Price Small-Cap Stock Fund	9,851,157
International Equity Fund	
Templeton Developing Markets Trust	3,071,312
Templeton Foreign Fund	7,248,763
T. Rowe Price Retirement Income Fund	802,461
T. Rowe Price Retirement 2010 Fund	6,000,861
T. Rowe Price Retirement 2020 Fund	2,041,791
T. Rowe Price Retirement 2030 Fund	52,080
T. Rowe Price Retirement 2040 Fund	131,968
Total value of Plan assets:	\$184,212,744

1.4 Point of Contact

The sole point of contact for questions and all other contractual matters relating to this RFP is:

Name: Ms. Donna Holden
Title: Contracts Administrator
Vermont State Treasurer's Office
133 State Street
Montpelier, Vermont 05633-6200
Telephone: 802-828-3708
FAX: 802-828-2772
E-Mail: Donna.Holden@state.vt.us

All e-mail communication with Ms. Holden must include the words "VSERS §457 RFP" in the subject line. Bidder's proposals, due by 2:00 PM for bid opening on May 2, 2005, are to be delivered to the VSERS office, marked to the attention of Ms. Donna Holden (see above).

Attempts by bidders to contact any other party may result in the rejection of their proposal.

1.5 RFP Timetable

RELEASE DATE OF THE RFP:	April 4, 2005
QUESTIONS DUE BY:	April 18, 2005
ALL PROPOSALS MUST BE SUBMITTED NO LATER THAN 2:00 P.M. Eastern Time ON:	May 2, 2005
THE PROJECTED DATE FOR SELECTION OF FINALISTS:	May 16, 2005
THE PROJECTED DATE FOR NOTIFICATION OF FINALISTS:	May 23, 2005
THE PROJECTED CONTRACT AWARD DATE IS ON OR ABOUT:	May 31, 2005
THE PROJECTED CONTRACT START DATE IS ON OR ABOUT:	July 1, 2005

NOTE: A PRE-PROPOSAL CONFERENCE WILL NOT BE HELD.

1.6 Attachments to RFP

VSERS has provided the following information as attachments to the RFP:

- **Attachment A**
Standard Contract Provisions
- **Attachment B**
Confidentiality Agreement
- **Attachment C**
Deferred Compensation Plan Review - Q4/04

2 SCOPE OF SERVICES

The Vermont State Employees' Retirement System (VSERS) Board of Trustees (the "Board") is seeking the services of a Certified Public Accounting firm to conduct agreed upon procedures of the record keeper/TPA for their IRC §457 Deferred Compensation Plan, hereafter in this Request for Proposal (the "RFP") known as "the Plan or §457 Plan" at the home office located in Greenwood Village, CO. In addition, a full-scope audit of the financial statements for the Plan as of 6/30/05 is also required.

2.1 Agreed Upon Procedures of Third Party Administrator

Consultant shall perform the following agreed upon procedures of TPA services. Such procedures include, but are not limited to:

- A) Compliance with IRS regulations and Plan Document,
- B) Administrative expenses, fees, rebates (appropriate amount for appropriate time period);
- C) Records and mandatory notices required by IRS (i.e., spousal consent, over 70½ and life event notification, etc.);
- D) Account balance and transaction history on statements, and daily valuation;
- E) Deferral increases/decreases, cash reconciliation (participant data is properly recorded in a timely basis), loan administration, transfers in and out, exchanges, allocation changes, address/beneficiary changes,
- F) Compliance with revised Distribution Rules and Joint & Survivor Annuity Distributions.

The auditor shall make a sufficient selection of a random number of accounts (of both active and retired participants) to determine the following:

- 1) Participant is given credit for cash received same day as invested in mutual fund and/or investment product.
- 2) Participant transfers between funds occur no later than the next business day following the request, at the correct prices and both sides of transfer occur the same day, and dividends and interests are accurately and timely credited to participant's account.
- 3) Retirement payouts, distributions, withdrawals, loans and hardships are made on the dates and for the amounts requested by participant.
- 4) Distributions are not allowed in situations that do not constitute a genuine unforeseeable emergency.
- 5) Participant and/or beneficiary and program charges/fees are correct. (Contractor will review and audit fees and rebates in each (administrative allowances), along with the affect of asset-based fees of the program and chart comparison to the industry.)
- 6) Catch-up contribution calculations in relationship to utilized amounts.
- 7) Participant and/or beneficiary are sent the required IRS notifications.

The venues for the TPA services are a service center via toll-free telephone, 24-hour voice response unit, via toll-free telephone, field representatives, local office, and/or the Internet. A local office is located in Montpelier, VT, satellite office in Bedford, NH, and home office in Greenwood Village, CO.

The scope of the agreed upon procedures must be detailed in a formal plan, which will be reviewed and approved by the Plan's Board.

The report on agreed upon procedures shall be discussed with management prior to issuance.

2.2 Audit of Financial Statements

The auditor shall audit the financial statements for the Plan as of 6/30/05. The scope of the audit must be planned to preclude the necessity for an exception arising from scope limitations and should be sufficient to enable the auditor to issue both an opinion letter and a management letter for each audit period.

Audit under this engagement must be made in accordance with Generally Accepted Government Auditing Standards (“Yellow Book”) as issued by the Comptroller General of the United States.

2.3 Customary Management Letter and Audit Report

The audit report, the report on agreed upon procedures, and the report on internal control over financial reporting and on compliance with laws, regulations, and provisions of the Plan Document shall be discussed with management prior to issuance. All final reports shall be addressed to the Board of Trustees and the Auditor of Accounts for the State of Vermont, pursuant to 32 V.S.A. §163.

As the Board is interested in receiving thoughtful and significant management comments, the letters should deal with material and substantive issues in need of attention by the Plan managers. The auditor will also be expected to report to the Board soon thereafter.

2.4 Documents, Reports, and Other

All documents, reports, computer software, paper and other materials (“Papers”), except for those generally available to the public, which are provided to the auditor by the Board, and any copies of any such Papers that may be reproduced or otherwise procured by the auditor and all information contained in such Papers, shall be deemed and shall remain property exclusively of the Plan and shall be available to the Plan’s representatives upon their request.

No Papers may be reproduced or otherwise used by the auditor for purposes unrelated to the subsequent contract.

In the event the auditor does breach the aforementioned terms, the auditor agrees to:

- Remit to the Plan any and all monies, royalties or other remuneration, without limitation, received directly or indirectly as a result of the unauthorized use, sale or publication of material deemed under this RFP and the subsequent contract to be property exclusively of the Plan;
- Publish, at no cost to the Plan, retractions, notices or other items deemed appropriate and necessary by the Plan in order to establish publicly the Plan’s exclusive right to the property;
- Assign to the Plan, at no cost to the Plan, any copyrights or other contract rights secured by the auditor in violation of this Section by executing and filing all necessary documents needed to secure such rights; and
- Take such additional steps as may be deemed reasonable and appropriate by the Plan in order to restore the Plan to its rightful position, at no cost to the Plan.

The State and TPA will prepare appropriate working papers, schedules, statements and Plan documents required for the audit and agreed upon procedures.

2.5 Requirements Related to Conflicts of Interest and Independence

Bidders shall identify all existing or potential conflicts of interest that would prevent the bidder from fully performing the tasks described in this RFP. Such disclosure will be a continuing requirement subsequent to award of a Contract and for the life of the Contract.

In all matters relating to audit work required by the State the bidder shall remain free from personal and external impediments to independence, and verify their organization is independent and will maintain an independent attitude and appearance with respect to the audit.

2.6 Insurance Coverage

The Contractor shall maintain an errors and omissions insurance policy, which provides a prudent amount of coverage for the willful negligent acts or omissions of any shareholder, employee or agents thereof. The Contractor shall also maintain policies pursuant to the State's Standard Contract provisions as defined in Attachment A.

3 PROCUREMENT AND CONTRACTUAL ADMINISTRATION

The following subsections discuss the administrative and contractual requirements that pertain to this procurement.

3.1 Bidding and Contractual Requirements

The State of Vermont reserves the right to obtain clarification or additional information necessary to properly evaluate a proposal. Bidders may be asked to give a verbal presentation. Failure of bidder to respond to a request for additional information or clarification could result in rejection of that bidder's proposal. The State reserves the right to accept or reject any and all bids, in whole or in part, with or without cause. The State reserves the right to make an award without further discussion of the proposal submitted. The State does not guarantee that an award will be made as a result of this RFP.

3.1.1 Incurred Expenses

The cost of developing and submitting the proposal is entirely the responsibility of the bidder. This includes costs to determine the nature of this engagement, preparation of the proposal, submitting the proposal, negotiating for the contract, and other costs associated with this RFP.

3.1.2 Public Records and Bidder Proprietary Information

All responses will become the property of the State of Vermont and will be a matter of public record. Any page with proprietary information must be marked by bidders as such, pursuant to 1 V.S.A. Chapter 5, §317(c)(9). Further, bidders must provide within their responses a justification for each marked page.

3.1.3 Member Confidentiality

VSERS wants to assure the confidentiality of its members' and retirees' records. Therefore, each bidder shall be required to execute a Corporate Agreement of Confidentiality in order to submit a proposal to VSERS for this RFP (see Attachment B). In the event that the bidder is selected to perform services, all bidder staff members assigned to the project in any capacity will be required to sign statements of confidentiality in order to participate in the project.

3.1.4 Pricing

The bidder must be aware that VSERS wants the most effective combination of price, performance, and quality possible within the constraints of the VSERS' budget. Pricing must be a firm fixed price, including all expenses. The State will not accept any open-ended, time and materials bids. There may be no best and final offer procedure. Therefore, the proposal shall be submitted on the most favorable terms that the bidder can provide.

3.1.5 Subcontracting

The State of Vermont will only enter into contracts with the primary contractor, and the State must approve any subcontractor contract in writing (See ATTACHMENT A, sub-Attachment C #13). The selected bidder must assume responsibility for subcontractor performance and payment. Subcontractors must abide by all conditions set forth in the contract with the primary contractor. The successful bidder will be expected to execute sub agreements for each subcontractor named in the proposal upon award of this contract. The bidder must provide a brief description in the cost proposal in regard to the basis for selecting each subcontractor (low bid, competitive negotiation, technical capabilities, etc.). The bidder must provide subcontractor cost estimates in the bidder's cost proposal.

3.1.6 Doing Business in Vermont

The bidder awarded this contract shall, upon notification of award, apply for registration with the Vermont Secretary of State's Office to do business in the State of Vermont, if not already so registered. The registration form may be obtained from the Vermont Secretary of State, Redstone Building, 26 Terrace Street, Drawer 09, Montpelier, VT 05609-1101. The telephone number is (802) 828-2386. The Treasurer's Office will not execute the contract until the bidder is registered with the Secretary of State's Office.

Proof of ability to practice in the State of Vermont, as certified by the Vermont Secretary of State, must be provided to the State Auditor's Office for review when the contract is submitted for the Auditor's review in accordance with 32 V.S.A. §163(9).

Bidders are each responsible for complying with all statutory provisions applicable to doing business in the State of Vermont and with VSERS (see above and Attachment A).

3.1.7 Grievance of Award

If any bidder is aggrieved by the proposed award of the contract, the bidder may appeal in writing to Donna Holden. The appeal must be postmarked within fourteen (14) calendar days following the date of the written notice to award the contract.

3.1.8 Minority Business Enterprises

The State of Vermont recognizes the important contribution and vital impact that small businesses have on the state's economy. In this regard, the state subscribes to a free and open bidding process that affords all businesses equal access and opportunity to compete for state contracts for goods and services. The state also recognizes the existence of businesses owned by minorities and women and directs all state agencies and departments to make a good faith effort to encourage these firms to compete for state contracts.

3.1.9 Duration of Proposal Offer

Proposals submitted in response to this RFP are irrevocable for 120 days following the closing date of proposals. This period may be extended at the request of the State, and with the bidders' written approval.

3.1.10 Revisions to the Solicitation

VSERS reserves the right to modify requirements should a bidder inquiry identify a change that is in the best interest of VSERS. Such modifications (or amendments) to the RFP will be posted to the VSERS Web site at www.vermonttreasurer.gov and will not be distributed through any other means. It is the bidder's responsibility to check the Web site for such changes.

3.1.11 General Conditions

The general conditions and specifications of the RFP, the successful bidder's response/proposal, all questions and answers, and all RFP amendments (if any) will become part of the contract by reference.

The bidder is expected to respond with due diligence by providing the requested information in the designated manner. Bidders failing to respond to this RFP as prescribed will place themselves at a comparative disadvantage or will be subject to disqualification at the discretion of VSERS.

3.1.12 Contract Duration

The successful bidder to this RFP can expect a contract with the State (see sample contract Attachment A), not to exceed one year.

3.2 Bidder Questions

Questions may be submitted in writing to VSERS until the date and time specified in Table 1 in Section 1.5. E-mail is the preferred method of communicating questions. Response to questions will be posted to our Web site at www.vermonttreasurer.gov. All questions submitted must include the name of the firm and the person submitting the questions.

4 PROPOSAL PREPARATION

This section sets forth the format that must be followed by bidders in developing their proposals in response to this RFP. The instructions provided and format requested for bidder proposals are designed to ensure a clear and complete understanding and comprehensive evaluation of each proposal. There is no intent to limit the content of the proposals or to inhibit a presentation in other in than the bidder's favor.

4.1 Proposal Acceptance

The bidder is encouraged to include additional information or data as may be appropriate or to offer alternate solutions. However, the bidder should not exclude from its proposal any portion requested in this document. Proposals that vary materially from this prescribed format may be judged non-compliant and withdrawn from consideration.

The bidder must understand that VSERS will view the degree of compliance with this section as an indication of the degree of cooperation to be expected from the bidder in working with VSERS after contract award.

4.1.1 Proposal Packaging and Required Copies

Cost Proposals (Part IV below) must be packaged separately from Technical Proposals (Parts I, II, and III below) and sealed in a separate envelope, so labeled.

Bidders must mark any pages that contain proprietary information as such. Further, they must provide within their responses a justification for each marked page.

Bidders must submit five (5) bound copies of their proposals as well as one (1) CD-ROM containing the appropriate Microsoft Word 2000, Excel 2000, and Project 2003 files to comprise a full proposal set. In addition, the bidder must provide one (1) unbound master copy of the technical proposal and one (1) unbound master copy of the cost proposal, each packaged separately.

We point out that the requirement for separate Cost Proposals actually doubles the above numbers.

The information in the table provided below must appear on the title page of each copy of each proposal, on the CD-ROM label, and on the outside of the packages in which they are shipped (if proposals are shipped by overnight courier, the title sheet may be affixed to the package inside the courier's packaging material):

Contents of Response Cover Page

RFP title:	§457 Deferred Compensation Plan Audit
RFP section:	Technical or Cost
<i>Closing date and time for submission of proposals: May 2, 2005, 2:00 pm.</i>	
Name, address, e-mail, and (voice) telephone number of firm submitting proposal	

Proposals must be addressed to the point of contact identified in Section 1.4 of the RFP.

Bidders are to organize their proposals into four parts with a cover letter and other administrative information as follows:

Administrative	Cover page Cover Letter as described below Executive Summary Tax Certificate Table of Contents
Part I	Bidder Information
Part II	Technical Approach
Part III	Bidder References
Part IV (to be packaged separately)	Cost

The following subsections describe the required content of the bidder's proposal.

4.2 Bidder's Proposal Administrative Section

In addition to the cover page and table of contents, the items that need to appear in the Administrative Section of the proposal are described below.

4.2.1 Cover Letter

The response should contain a cover letter and introduction, including: the company name and address, and the name, e-mail address, and telephone number of the person or persons authorized to represent the respondent regarding all matters related to the response. The cover letter must contain the following statement:

"We have read the State's Request for Proposals (RFP) for §457 Deferred Compensation Audit 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 Office of the State Treasurer."

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

In addition, the cover letter must certify that:

- The response is genuine, and is not collusive or a sham.
- The response is not made in the interest of or on the behalf of any person not named therein.
- 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.
- The bidder has not in any manner sought by collusion to secure an advantage over any other respondent.
- The bidder has thoroughly examined the RFP requirements, and the proposed fees cover all the services that the State has requested.
- The bidder acknowledges and accepts all terms and conditions included in the RFP.
- The bidder agrees to provide services in a manner acceptable to the Treasurer's Office, and as stipulated in the RFP and subsequent contract.

- The bidder 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 three retirement systems.
- The bidder and key professionals do not accept fees and derive no benefit from relationships with any hardware or software vendors that may be involved in the project.
- The bidder has completed and submitted, with the RFP response, the Vermont Tax Certificate, provided in this RFP.
- The bidder has submitted financial information. Publicly owned businesses agree to provide their most recent annual report, current balance and income statement, and D&B report. Privately owned businesses agree to provide company financials. Proprietary and/or confidential materials must be marked accordingly.

4.2.2 Executive Summary

All responses from bidders must include a summary of the methodology or approach to be used for completing all of the required tasks outlined in the bidder's response. The Executive Summary for the Technical Proposal shall not mention costs. A separate Executive Summary must be included in the Cost Proposal package.

4.2.3 Tax Certificate

This certificate appears on page 3 of this RFP and must be incorporated into the administrative section of the bidder's response.

4.3 Bidder's Proposal Part I – Bidder Information

4.3.1 Section I – General

In this section, the bidder shall provide basic information about its firm and staff, including the following:

- Name, address, e-mail address, and (voice) telephone number of contact person in the firm submitting the proposal
- Narrative of the firm and individuals proposed to take part in the audit
- Verification of current CPA licenses along with Yellow book (GAS) proficiency for proposed staff
- Number of years in business
- Ownership (i.e., public or private)
- Current external Quality Control Review within past three years (Peer Review)
- Location from which this project will be completed and managed
- Representative client list
- Identification of any lawsuits related to activities that the bidder is party to or has been party to in the past five (5) years, even if they were settled out of court or by arbitration.

4.3.2 Section II – Experience Summary

In this part of the proposal, the bidder must describe its current and historical experience in conducting audits of a similar nature for other clients. Particular emphasis shall be placed on any experience in supporting public sector clients especially for public employee retirement systems.

This part of the proposal must demonstrate a successful business history of continuous operation for a minimum of 10 years of experience in public accounting, and a minimum of at least five years of experience conducting similar comprehensive annual statement audits for similar size/type plans.

4.4 Bidder’s Proposal PART II – Technical Approach

This part of the bidder’s proposal shall address the following:

- Section 1 – Statement of Understanding, a statement in the bidder’s own words of the overall nature of the project and VSERS’ contractual requirements. This statement must include the written certification regarding the confidentiality discussed in Section 3.1 of this RFP.
- Section 2 – Technical Requirements, the bidder’s proposal to fulfill the project’s requirements (refer to Section 2 of this RFP). In this section the bidder shall:
 - » Provide a detailed discussion of how it will conduct the audit
 - » State its agreement to participate in oral presentations, if they are requested
 - » Identify the bidder’s (and subcontractor’s, if appropriate) staff and their professional qualification who will conduct the oral presentation.
- Section 3 – Proposed Project Staffing including proposed staff member resumes and certification
- Section 4 – Proposed Status Reporting
- Section 5 – Proposed Value-Added Options – VSERS will consider any option proposed by the bidder as a value-added option that will substantially reduce costs, and improve efficiency of operations. This Section is optional (but desirable) in the bidder’s proposal.
- Section 6 – Assumptions and Exceptions – Identification of all assumptions that the bidder made in preparing its proposal as well as any exceptions that the bidder takes with regard to the requirements expressed in the RFP. This section must contain a list of **all** assumptions and exceptions, with a cross reference to the specific section of the RFP to which the assumption or exception applies. Failure to abide by this requirement (i.e., failure to include a single, consolidated list of assumptions and a single consolidated list of exceptions) may be grounds for disqualification of the bidder. Further, any assumptions or exceptions distributed within the body of the proposal but not summarized in this Section will not be binding upon nor honored by the State.
- Section 7 – Staff Responsibilities and Time Commitment – Identification of bidder and VSERS responsibilities per the bidder’s work plan. Identify all activities, roles, responsibilities, etc. as well as the entire suite of human resource requirements over the course of the contract that the bidder expects VSERS to provide. Similar information must be provided pertaining to bidder staff. A table in the format provided below may assist in this effort:

POSITION	VSERS STAFF HRS/WEEK (HRS/PROJECT)	BIDDER STAFF HRS/WEEK (HRS/PROJECT)
VSERS Director of Retirement		
VSERS Staff		
VSERS Other		
Bidder Lead Accountant		
Bidder Staff		
Bidder Other		

4.5 Bidder's Proposal PART III – Bidder References

The bidder shall demonstrate experience in a minimum of five years of experience conducting similar comprehensive annual statement audits for similar size/type plans by at least four successful audit references. Greater weight may be given to references wherein the bidder has done the audit for similar size/type plans in the public arena. References from governmental agencies, especially public employees' retirement systems, are of particular interest to VSERS but are not required.

For each reference, the bidder must include the name, address, e-mail address, and telephone numbers of individuals qualified to provide information from both the management and technical viewpoints. For each reference, the bidder must specify:

- The length of time during which audit services were performed
- The number of participants in the Plan
- The number of investment accounts audited
- Project statistics such as number of investment types, number of indices, etc.
- The original proposal cost estimate
- The actual final cost
- An explanation of the deviation between the original estimate and the final cost
- A description of the specific services provided.

4.6 Bidder's Proposal PART IV – Cost

The bidder must provide a fixed price for the services described in the RFP, as well as a total cost including expenses. In addition, the bidder shall fully describe any assumptions used, as well as the formulas used in deriving the fixed price. Bidder cost proposals shall be presented in sufficient clarity and detail to enable VSERS to validate the costs.

Note: Bidder costs shall be all-inclusive, reflecting all travel and labor costs, and all incidental costs. The bidder shall provide a single cost schedule representing its best price for the complete audit.

This part of the proposal must be bound separately and sealed in an envelope separate from the technical proposal and be labeled "Cost Proposal." Cost information is NOT to be provided in any other part of the bidder's proposal.

5 BIDDER EVALUATION AND SELECTION CRITERIA

5.1 Bidder Evaluation

The Office of the State Treasurer will conduct a fair and impartial evaluation of the proposals received in response to this RFP.

Fees and compensation will be an important factor in the evaluation of responses. However, the Office of the State Treasurer is 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 reserves the right to negotiate a change in any element of contract performance or cost identified in the RFP.

Evaluation of Proposals
A. RFP Understanding Approach Clarity Creativity of proposal Responsiveness to Scope of Services
B. General Experience & Qualifications of Firm Experience Assigned personnel Any other resources assigned to State
C. Financial Security
D. Cost

Once the technical proposal is discussed and ranked, the cost proposal will be reviewed for consistency with, and in light of, the evaluation of the technical proposal. The Office of the State Treasurer reserves the right to seek clarification of any proposal submitted, request oral presentations and to select the proposal considered to best promote the public interest.

The State of Vermont is conscious of and concerned about collusion. It should therefore be understood by all that in signing bid and contract documents they agree that the prices quoted have been arrived at without collusion and that no prior information concerning these prices has been received from or given to a competitive company. If there is sufficient evidence to warrant investigation of the bid/contract process by the Office of the Attorney General, all bidders should understand that this paragraph might be used as a basis for litigation.

Note: Cost proposals will be opened and reviewed only for those bids that meet the established minimum technical thresholds.

Attachment A – Standard Contract for Personal Services

STATE OF VERMONT
STANDARD CONTRACT FOR PERSONAL SERVICES

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 (below).

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 \$ _____.

4. Contract Term: The period of Contractor’s performance shall begin on _____, 20____, and end on _____, 20____, not to exceed one year.

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 required.

-Approval by the Secretary of Administration is 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).

Contract # _____

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

by the STATE OF VERMONT:

by the CONTRACTOR:

Date: _____

Date: _____

Signature: _____

Signature: _____

Name/Title: _____

Name/Title: _____

Agency: _____

Fed ID/S. Sec# _____

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.

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

\$1,000,000 Errors and Omissions per occurrence

The policy must cover the loss, damage, theft, or destruction of documents that may occur during the period when Contractor is in possession of the documents, and must provide first dollar coverage (i.e., no deductible) for actual replacement costs (State or Contractor staff time to reconstruct folders). The State has determined that the cost to replace a lost file is \$1,000.

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 that 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:

is not under any obligation to pay child support; or

is under such an obligation and is in good standing with respect to that obligation; or

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 B – CONFIDENTIALITY AGREEMENT

I, _____ (name), _____ (title), as legal representative of _____ (firm name) in order to submit a proposal for future §457 Deferred Compensation Plan Auditing Services for the State of Vermont, do hereby acknowledge and agree to the following:

1. Certain information will be made available by the State to _____ (firm name) to enable the firm to perform services necessary to prepare a proposal for the §457 Deferred Compensation Plan Auditing Services request for proposal.
2. Vermont law provides that the contents of member records will not be disclosed without the prior written consent of the individual to whom the record pertains. Information provided to _____ (firm name) is confidential and shall not be made available to any individual or organization without the prior written approval of the State and member.
3. The confidentiality of any and all information that is provided by the State to the firm directly or indirectly will be upheld and protected. All such information will be handled and processed in a manner to preserve its confidentiality and it will not be revealed or divulged to any individual or firm.
4. All information submitted by the State will remain the property of the State and will be returned to the State upon completion or upon request by the State.

Signature: _____

Date: _____ day of _____, 2005.

ATTACHMENT C – DEFERRED COMPENSATION PLAN REVIEW Q4/04

Part 1 of the report may be viewed at:

www.vermonttreasurer.gov/documents/rfp/20050404_457AuditServices_AttachC1.pdf

Part 2 of the report may be viewed at:

www.vermonttreasurer.gov/documents/rfp/20050404_457AuditServices_AttachC2.pdf

- End RFP -