



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

109 State Street
MONTPELIER, VERMONT 05609-6200
www.vermonttreasurer.gov

SEALED BID REQUEST FOR PROPOSAL

VERMONT PENSION INVESTMENT COMMITTEE INVESTMENT CONSULTANT

DATE: **January 23, 2006**

QUESTIONS DUE BY: **February 7, 2006**

DATE OF BID OPENING: **March 6, 2006**

TIME OF BID OPENING: **2:00 P.M.**

LOCATION OF BID OPENING: **109 State Street, Montpelier, VT, 4th 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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109 State Street
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802-828-2301
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SEALED BID INSTRUCTIONS

All bids must be sealed and must be addressed to the Office of the State Treasurer, 109 State Street, Montpelier, VT 05609-6200. **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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DATE: **January 23, 2006**

REQUEST FOR PROPOSAL
THIS IS A SEALED BID RESPONSE
BIDS MUST BE RECEIVED BY **March 6, 2006**, at 2:00 P.M.

This form must be completed and submitted as part of the response for the bid to be considered valid. The undersigned has read, understood and accepted all provisions, terms and conditions of this proposal.

VERMONT TAX CERTIFICATE

To meet the requirements of Vermont Statute 32 V.S.A. § 3113, by law, no agency of the State may enter into, extend or renew any contract for the provision of goods, services or real estate space with any person unless such person first certifies, under the pains and penalties of perjury, that he or she is in good standing with the Department of Taxes. A person is in good standing if no taxes are due, if the liability for any tax that may be due is on appeal, or if the person is in compliance with a payment plan approved by the Commissioner of Taxes, 32 V.S.A. § 3113.

In signing this bid, the bidder certifies under the pains and penalties of perjury that the company/individual 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 as of the date this statement is made.

Quotation Valid for _____ Days Date: _____

Telephone Number: _____

Name of Company: _____

Fax Number: _____

Federal Identification Number: _____

E-mail address: _____

By: _____

Name: _____

Signature (Proposal Not Valid Unless Signed)

(Type or Print)



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TABLE OF CONTENTS

1	Overview	6
1.1	Executive Summary.....	6
1.2	Minimum Bidder Qualifications.....	6
1.3	Plan Specifications	6
1.3.1	VERMONT STATE EMPLOYEES’ RETIREMENT SYSTEM.....	7
1.3.2	VERMONT STATE TEACHERS’ RETIREMENT SYSTEM.....	7
1.3.3	VERMONT MUNICIPAL EMPLOYEES’ RETIREMENT SYSTEM.....	7
1.4	Single Point of Contact.....	8
1.5	RFP Timetable.....	8
1.6	Attachments to RFP.....	8
2	Scope of Services	9
2.1	General Information	9
2.2	General Investment Policy and Procedures	10
2.2.1	<i>Asset Liability Study</i>	10
2.2.2	<i>Asset Allocation Plan</i>	10
2.2.3	<i>Asset Allocation and Portfolio Review</i>	11
2.2.4	<i>Performance Analysis</i>	11
2.2.5	<i>Manager Oversight</i>	11
2.2.6	<i>Manager Search and Selection</i>	12
2.2.7	<i>Training, Education, and Client Relationship Duties</i>	12
2.3	Documents, Reports, and Other.....	12
2.4	Requirements Related to Conflicts of Interest and Independence.....	12
2.5	Insurance Coverage	12
3	Procurement and Contractual Administration.....	13
3.1	Bidding and Contractual Requirements.....	13
3.1.1	<i>Incurred Expenses</i>	13
3.1.2	<i>Public Records and Bidder Proprietary Information</i>	13
3.1.3	<i>Pricing</i>	13
3.1.4	<i>Subcontracting</i>	13
3.1.5	<i>Doing Business in Vermont</i>	13
3.1.6	<i>Grievance of Award</i>	14
3.1.7	<i>Minority Business Enterprises</i>	14
3.1.8	<i>Duration of Proposal Offer</i>	14
3.1.9	<i>Revisions to the Solicitation</i>	14
3.1.10	<i>General Conditions</i>	14
3.1.11	<i>Contract Duration</i>	14



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3.2	Bidder Questions	15
4	Proposal Preparation	16
4.1	Proposal Acceptance	16
4.1.1	<i>Proposal Packaging and Required Copies</i>	16
4.2	Bidder’s Proposal Part I -Administrative Section	17
4.2.1	<i>Cover Letter</i>	17
4.2.2	<i>Tax Certificate</i>	18
4.3	Bidder’s Proposal Part II – Bidder Information	18
4.3.1	<i>Section 1 – General</i>	18
4.3.2	<i>Section 2 – Financial and Regulatory Disclosure</i>	18
4.4	Bidder’s Proposal PART III – Technical Approach.....	20
4.5	Bidder’s Proposal PART IV – Bidder References	23
4.6	Bidder’s Proposal PART V – Cost.....	23
5	Bidder Evaluation and Selection Criteria.....	25
5.1	Bidder Evaluation.....	25
	Attachment A – Standard Contract Provisions	26
	Attachment B – Investment Policy Guidelines and Reports.....	36

1 OVERVIEW

The following subsections provide general information about the RFP.

1.1 Executive Summary

The Vermont Pension Investment Committee (VPIC), acting on behalf of the Boards of Trustees of the Vermont State Employees' Retirement System, State Teachers' Retirement System of Vermont, and Vermont Municipal Employees' Retirement System through the Office of the State Treasurer, hereafter known collectively as the Vermont Retirement Systems (VRS) or State, are seeking proposals from qualified firms to provide comprehensive full-retainer, general investment consulting advice and services. The selected investment-consulting firm will report to the VPIC. The selected firm will functionally work closely with the VPIC and staff of the Office of the State Treasurer. The selected firm will demonstrate extensive experience and superior capability for providing investment-consulting services in a large public pension system.

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 March 6, 2006.

The three retirement systems are IRC §401(a) defined benefit plans governed by separate Boards of Trustees. The VPIC combines the assets of the State Teachers' Retirement System of Vermont, the Vermont State Employees' Retirement System, and the Vermont Municipal Employees' Retirement System for the purpose of investment in a manner that is more cost- and resource-efficient so as to improve the effectiveness of the oversight and management of the three systems' assets. The VPIC was created by the Vermont Legislature effective July 1, 2005. Therefore the VRS systems are in transition, moving from separately administered accounts to combined accounts for investment purposes.

1.2 Minimum Bidder Qualifications

The bidder must meet all of the following minimum qualifications to be given further consideration. Failure to satisfy each of the minimum qualifications will result in the immediate rejection of the proposal.

1. The bidder must provide full retainer investment consulting services to clients with aggregate assets totaling at least \$5 billion, with at least one for a public sector client with assets of at least \$1 billion, and demonstrate a minimum of five (5) years of experience in public pension fund consulting for similar size/type plans.
2. The primary consultant assigned to the Vermont accounts must have a minimum of five (5) years experience providing investment consulting services to public pension fund plans. The primary consultant listed must be in attendance at required meetings as outlined in the "scope of services" section.

1.3 Plan Specifications

As of December 31, 2005, the three pension funds have assets that total approximately \$2.81 billion.

Vermont utilizes a master custodian, State Street Bank & Trust Company, to provide a variety of custody, record keeping, securities lending, and cash management services.

1.3.1 VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

<u>ASSET CLASS</u>	<u>DOLLARS</u> <u>(MM)</u>	<u># MANAGERS</u>
Domestic Equity	482.2	6*
International Equity	200.8	2*
Domestic Fixed Income	320.5	2
Global Fixed Income	74.0	1
Real Estate	78.6	3
Alternative Investments	6.7	2
Other	<u>7.9</u>	<u>1</u>
<u>Total:</u>	\$1,170.7	17

* VPIC Managers shared by all three systems

1.3.2 VERMONT STATE TEACHERS' RETIREMENT SYSTEM

<u>ASSET CLASS</u>	<u>DOLLARS</u> <u>(MM)</u>	<u># MANAGERS</u>
Domestic Equity	610.5	6*
International Equity	238.8	2*
Domestic Fixed Income	152.0	1
Global Fixed Income	239.4	1
Real Estate	131.3	2
Alternative Investments	0	0
Other	<u>6.4</u>	<u>1</u>
<u>Total:</u>	\$1,378.4	13

* VPIC Managers shared by all three systems

1.3.3 VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

<u>ASSET CLASS</u>	<u>DOLLARS</u> <u>(MM)</u>	<u># MANAGERS</u>
Domestic Equity	103.5	6*
International Equity	44.5	2*
Domestic Fixed Income	81.3	3
Global Fixed Income	12.7	1
Real Estate	18.6	1
Alternative Investments	0.6	1
Other	<u>1.4</u>	<u>-</u>
<u>Total:</u>	\$262.6	14

* VPIC Managers shared by all three systems

1.4 Single 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
109 State Street
Montpelier, Vermont 05609-6200
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 "Pension Investment Consultant RFP" in the subject line.

Bidder's proposals, due by 2:00 PM for bid opening on March 6, 2006, are to be delivered to the Office of the State Treasurer, 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:	January 23, 2006
QUESTIONS DUE BY:	February 7, 2006
ANSWERS TO QUESTIONS POSTED ON www.vermonttreasurer.gov	February 15, 2006
ALL PROPOSALS MUST BE SUBMITTED NO LATER THAN 2:00 P.M. Eastern Time ON:	March 6, 2006

1.6 Attachments to RFP

The following information is provided as attachments to the RFP:

- **Attachment A** – Standard Contract Provisions
- **Attachment B** – Investment Policy Guidelines

2 SCOPE OF SERVICES

The selected firm(s) will assist the VPIC in the on-going process of investment policy review and compliance, strategic investment planning and asset allocation decisions. The firm will have a fiduciary obligation as an investment advisor and will owe a duty to the VPIC to exercise reasonable care in providing investment advice to the VPIC. The selected investment-consulting firm will report to the VPIC. The selected firm will functionally work closely with the VPIC and staff of the Office of the State Treasurer. The selected firm will demonstrate extensive experience and superior capability for providing investment-consulting services in a large public pension system.

2.1 General Information

The VPIC is comprised of 17 members as follows:

- Trustees of the Board of the State Teachers' Retirement System of Vermont;
- Trustees of the Board of the Vermont State Employees' Retirement System and
- Trustees of the Board of the Vermont Municipal Employees' Retirement System.

The primary objective of the VPIC is maximization of investment returns within acceptable levels of risk through a broadly diversified investment portfolio. Specific responsibilities include:

- Allocation of assets, subject to approval by the relevant retirement board
- Selection and oversight of pension consultant and custodian bank
- Selection and oversight of investment managers
- Establishment of appropriate investment policies and guidelines
- Communication with the Treasurer's office regarding all matters relating to investment of the Systems' assets.

The three existing retirement boards continue to oversee the operations of each system in such areas as actuarial valuation, medical disability, benefit revisions, contribution levels, and general administration, as specified in Vermont Statutes.

Actuarial valuation remains the responsibility of the individual pension system boards. Subsequent to actuarial valuation and liability studies being completed and approved by system boards, the VPIC has the responsibility for investment asset allocation for each system and investment of funds.

The selected firm(s) will assist the VPIC and VRS in the on-going process of investment policy review and compliance, strategic investment planning and asset allocation decisions. The firm will serve in a fiduciary capacity and will acknowledge in writing the firm's fiduciary status. In all cases, the firm and its consultants will offer its advice to the VPIC and VRS solely in the interest of the plan participants and beneficiaries of the Systems.

The selected firm(s) will report to the VPIC. The consultant will also be required to work with and provide assistance to staff at the Office of the State Treasurer. That staff will include: State Treasurer, Deputy State Treasurer, Director of Finance and Investments, and the Financial Management Specialist.

The selected firm(s) will provide general investment consultant services in the areas of investment guideline and policy development and compliance, strategic analysis including asset allocation, investment manager research and selection, risk management, and VPIC member education.

At a minimum two consultants must be assigned to this account. It is expected that the selected Firm will provide independent, objective, creative and proactive input into its decision making process. Meetings are held quarterly in Montpelier, Vermont and it is expected that both consultants will attend each meeting. Up to six additional meetings per year may be requested. Therefore, the bid should be based on 10 meetings.

Under the direction of the VPIC and the Treasurer's Office, the services to be provided by the investment-consulting firm shall include, but are not limited to, the following:

2.2 General Investment Policy and Procedures

At the onset of the engagement and annually thereafter, review the VPIC's investment policies and procedures and, as needed, make recommendations to the Board for amendments.

1. Provide recommendations concerning long-term investment policy, investment objectives, and strategy, including manager continuation policies and rebalancing policies;
2. Provide recommendations concerning investment goals, policies, guidelines, and procedures.
3. Provide recommendations concerning risk management strategies; and
4. Provide compliance monitoring.

2.2.1 Asset Liability Study

Complete an asset liability study for each system. Historically these studies have been completed after the experience study is completed by the consulting actuary appointed by the VRS, once every five years. The asset liability study will:

1. Project pension liabilities and benefit payments;
2. Establish a target rate of return;
3. Identify optimal combinations of asset classes expected to achieve the target return;
4. Assess appropriateness of the current asset allocation policy; and
5. Project investment return and asset levels, and assess funding status and contribution adequacy.

The study should detail not only the expected levels of these results but also their possible ranges and probabilities under a variety of asset allocations and scenarios over a ten-year period.

2.2.2 Asset Allocation Plan

Once during the first year of the engagement, and subsequent to the asset liability study, prepare and present to the VPIC a written plan establishing investment objectives and target asset mix (the "Asset Allocation Plan"). The Asset Allocation Plan shall take into account the assets and liabilities of the VRS based on the VRS' most recent actuarial analysis. The Asset Allocation Plan shall, at a minimum:

- 1 Provide a report on asset allocation modeling (including methodology and specifics) linked to funding and liability management;
- 2 Provide an analysis of the investment characteristics of available asset alternatives;
- 3 Make recommendations for modifications to the statement of investment policy; and

- 4 Make recommendations for an optimum asset allocation for the fund based upon all of the foregoing, including a methodology (and a time table) for achieving such asset allocation.

Prior to final approval or subsequent revision by the VPIC of investment asset allocation for a particular system, a report is delivered to the pension system board explaining the asset allocation recommendation. That board, within 30 days, does have the power to approve or reject the proposed asset allocation, but does not have the power to make revisions. If no response is made within 30 days, the asset allocation proposal is deemed approved. The VPIC is responsible for implementing the new asset allocation, including the selection of outside investment managers when necessary.

2.2.3 Asset Allocation and Portfolio Review

At a reasonable period subsequent to the development of the asset allocation plan, present a report to the VPIC containing an evaluation of the Asset Allocation Plan and current portfolio and proposals to achieve the goals of that analysis during the year. The report should:

- 1 Provide an evaluation of the effectiveness of the current portfolio and investment manager structure (including evaluations of the current investment managers);
- 2 Provide a review of the fund's needs for particular investment styles or strategies within the portfolio (e.g., growth/core/value; small/mid/large capitalization; government/corporate/mortgage; and passive/risk controlled/active);
- 3 Provide an analysis of the current fee structure;
- 4 Provide recommendations concerning securities lending strategies;
- 5 Provide compliance monitoring of the securities lending program;
- 6 Provide recommendations concerning custodial arrangements and custodian search and review; and
- 7 Provide recommendations concerning brokerage issues, including directed brokerage, commission recapture, and other cost containment methodologies.

2.2.4 Performance Analysis

On a quarterly basis provide performance analyses, including performance of individual allocated portfolios (domestic equity, fixed income, international equity, etc.), as well as the composite of all of the asset classes. The quarterly analyses will include a comparison of the target and actual asset allocations. The analyses will include a comparison of portfolio investment performance to benchmarks in order to demonstrate the value added by active management (if any). The analyses will include detailed return attribution characteristics, style analysis, risk analysis, peer/universe comparison, trading efficiency, and compliance monitoring.

2.2.5 Manager Oversight

For each manager in the fund, provide quarterly performance analysis, including performance evaluation against the appropriate benchmarks and investment objectives, as well as return attribution characteristics, style analysis, and risk analysis. In addition, provide on-going monitoring of and due diligence on investment managers, including SEC and AIMR compliance. Provide self-initiated and response-to-VPIC inquiries, advice and recommendations concerning manager probation and termination. Advise on fee structures and negotiate with investment managers as directed. Conduct due diligence visits to prospective and existing investment service providers.

2.2.6 Manager Search and Selection

Provide analyses of, and assist in the hiring of, outside investment managers, including the utilization of a database of investment managers, including background information of their investment approach, organizational structure, key personnel, performance, and clients (current and terminated). Conduct searches for managers as required, including, but not limited to, development of requests for proposals, screening of prospective managers, and recommendation of finalists; preparation of background material for the VPIC, investment subcommittee, or any search committee formed by the VPIC; participation in the interviewing of managers; and provision of analysis and recommendations concerning selection of managers.

2.2.7 Training, Education, and Client Relationship Duties

Attend quarterly VPIC and other special meetings pertaining to investments. Up to six additional meetings per year may be requested. Coordinate effectively with the actuary and the custodian bank. Provide investment education and training on a periodic basis. Respond to inquiries between meetings in an appropriate and timely manner. Upon request of the VPIC or staff, provide ongoing research, analysis, and advice on specific investment issues. Share all firm research, including white papers, and provide access to research staff. Consultant staff may be required to prepare data and/or appear before legislative bodies as requested by the VPIC.

2.3 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 by the State, and any copies of any such papers that may be reproduced or otherwise procured and all information contained in such papers, shall be deemed and shall remain property exclusively of the State and shall be available to the State's representatives upon their request. No papers may be reproduced or otherwise used for purposes unrelated to the subsequent contract.

2.4 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 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 services required.

2.5 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. **Bidders must mark any page with proprietary information as such, pursuant to 1 V.S.A. § 317(c)(9). Further, bidders must provide within their responses a justification for each marked page.**

3.1.3 Pricing

The bidder must be aware the State wants the most effective combination of price, performance, and quality possible within the constraints of their 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.

3.1.4 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.

3.1.5 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.

Bidders are responsible for complying with all statutory provisions applicable to doing business in the State of Vermont (see above and Attachment A), attached to this RFP, required to execute after the specific details of the transaction have been inserted. Any objections, or requested changes to the standard form language must be provided with the bid, or they shall be waived by the bidder. Any additional contract language sought by the bidder must be provided with the bid, or such language requests shall be waived by the bidder.

Any bidder seeking changes to the State standard form contract, or to add additional language to the contract must state whether the request is a requirement of their bid, or simply a request for the State's consideration. In the event the State determines that an otherwise apparent winning bidder's requirements are unacceptable, it may handle the bid in the manner it deems most appropriate, including but not limited to rejecting the bid as not complying with this RFP. Bidders should be aware that the State of Vermont rarely accepts amendments to its standard form contract."

3.1.6 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.

3.1.7 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 has directed all state agencies and departments to make a good faith effort to encourage these firms to compete for state contracts.

3.1.8 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.

3.1.9 Revisions to the Solicitation

The State reserves the right to modify requirements should a bidder inquiry identify a change that is in the best interest of State. Such modifications (or amendments) to the RFP will be posted to the Treasurer's 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.

3.1.10 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.

3.1.11 Contract Duration

The successful bidder to this RFP can expect a contract with the State (see sample contract Attachment A), for a term of two years with two one-year extensions.

The successful bidder will be required to execute the State's standard contract after the specific details of the transaction have been inserted. Any objections, or requested changes to the standard form language must be provided with the bid, or they shall be waived by the bidder. Any additional contract language sought by the bidder must be provided with the bid, or such language requests shall be waived by the bidder. Any bidder seeking changes to the State standard form contract, or to add additional language to the contract must state whether the request is a requirement of their bid, or simply a request for the State's consideration. In the event the State determines that an otherwise apparent winning bidder's requirements are unacceptable, it may handle the bid in the manner it deems most appropriate, including but not limited to rejecting the bid as not complying with this RFP. Bidders should be aware that the State of Vermont rarely accepts amendments to its standard form contract.

3.2 Bidder Questions

Questions must be submitted in writing until the date and time specified in Section 1, *RFP Timetable*.

E-mail is the preferred method of communicating questions. All e-mail communications with Ms. Holden must include the words "**Pension Investment Consultant RFP**" in the subject line.

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 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 the State 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 the State 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, and Excel 2000 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:	Vermont Retirement Systems' Pension Investment Consultant Services RFP
RFP section:	Technical or Cost
<i>Closing date and time for submission of proposals: March 6, 2006, 2:00 pm.</i>	
Name, address, e-mail, and (voice) telephone number of firm submitting proposal	

Proposals must be addressed for this RFP to the point of contact identified in Section 1, *Single Point of Contact*.

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

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

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

4.2 Bidder’s Proposal Part I -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 VPIC Pension Investment Consultant Services 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 State, 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 persons involved in the RFP.
- The bidder has completed and submitted, with the RFP response, the Vermont Tax Certificate (provided) required by 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 Tax Certificate

This certificate appears on page 3 of this RFP and must be completed and submitted with the response to the RFP.

4.3 Bidder’s Proposal Part II – Bidder Information

4.3.1 Section 1 – General

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

- Please provide a description of the ownership and structure of the firm, which includes the parent company and any affiliated companies and/or joint ventures.
- Are any near-term changes to the firm’s corporate or organizational structure anticipated? If yes, please specify.
- Please list all office locations and the number of individuals working in each office. Please specify which office would be the primary relationship office.
- List the owners of the firm (from largest to smallest with respect to ownership) and their ownership percentages. Please include individuals and all other entities.
- Please list all principals of the firm and their backgrounds, credentials and certifications.
- Please provide the most recently completed SAS 70 or external Quality Control Review, if applicable.
- Please provide the most recently completed audited financial statements for your firm.
- Please provide a copy of your firm’s most recently filed SEC Form ADV, Parts I and II, and any associated schedules.

4.3.2 Section 2 – Financial and Regulatory Disclosure

- Please list all services your firm, its principals, or any affiliate provide that generate revenues for the firm, and indicate the applicable percent of your firm's total revenue during the past three years. The chart must reflect 100% of all revenue.

	2003	2004	2005
Revenues from consulting with Plan Sponsors	_____	_____	_____
Revenues from money management activities	_____	_____	_____
Revenue from services to money managers	_____	_____	_____
Other (specify)	_____	_____	_____
Other (specify)	_____	_____	_____

- b. If the firm has an ultimate parent company, please list the percentage of total income that the firm's services represent to the ultimate parent company.
- c. Does the firm or an affiliate of the firm serve as an investment manager for clients? If yes, please provide a description.
- d. Does your firm, its principals, or any affiliate, own, or have any financial interest with, a money management firm, broker-dealer, or other organization that sell services to institutional investors and/or SEC registered investment advisors? If yes, identify the entity and describe the relationship. Include any related or affiliated businesses associated with the investment manager.
- e. Does the firm and/or any affiliates accept soft dollars as a method of payment for services provided? If yes, please provide an explanation.
- f. Do you allow plans to pay for consulting fees using the plan's brokerage commissions? If yes, please describe how these are monitored. Please also describe steps taken to prevent overpayment of consulting fees. Again, if yes, describe steps you have taken to ensure that the plan receives best execution for its security trades.
- g. Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?
- h. Does the firm accept fees from investment managers or advisors, including but not limited to conference fees, commission credits, or other services? If yes, please describe the nature of this activity. Please list all managers from whom fees, services, or credits were received.
- i. Has your firm, its principals or any affiliate ever (i) been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state, or self-regulatory body or organization; (ii) been a party to any litigation concerning fiduciary responsibility or other investment related matters; or (iii) submitted a claim to your errors and omissions, fiduciary liability, and/or fidelity bond insurance carrier(s)? If yes to any, please provide details.
- j. Within the last five years, has your organization or an officer or principal been involved in any business litigation or other legal proceedings not included in the previous question? If yes, please provide an explanation and indicate the current status or disposition.
- k. Over the past two plus years, the S.E.C. has conducted an investigation into practices within the investment consulting industry. Please describe your firm's participation in this review. Describe the review's status, and results, relative to your firm and provide copies of all S.E.C. letters to your firm associated with this review.
- l. Would the firm be willing to disclose, annually or upon client request, the dollar amount and nature of all material beneficial relationships that the firm or any affiliate of the firm engages in with investment manager clients? If not, please explain.

- m. Please describe the firm’s ethics and conflict of interest policy. If the firm, its affiliates, or the ultimate parent company provides investment management services, brokerage services, or services to investment managers, please include an explanation of how this policy, and any other measures taken by the firm, limit the likelihood that the client could receive investment advice that is not solely aligned with their best interests.
- n. Does your firm have any financial or subcontractor relationships with entities responsible for providing benchmarks or the peer/universe database? If yes, please explain.
- o. Please disclose in detail any potential conflicts of interest that are currently or would be created by the firm’s representation of any of the VPIC and/or VRS Boards.

4.4 Bidder’s Proposal PART III – Technical Approach

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

- *Section 1 – Summary/Overview.* This should include a statement in the bidder’s own words of the overall nature of the services requested in this RFP and a narrative of how it will provide the requested services identified in the RFP. The narrative should address all services outlined in the “Scope of Services” and should be prepared simply and economically, providing a straightforward and concise description of the bidder’s philosophy, services, and qualifications.
- *Section 2 – Questions.* Please provide a full but concise response to the following questions.
 - a. Is your organization registered as an investment advisor under the Investment Advisor Act of 1940 or with a state securities regulator as an investment advisor?
 - b. Do you function as a fiduciary as defined in ERISA?
 - c. If you are hired, will you acknowledge in writing that you have a fiduciary obligation as an investment advisor to the VPIC while providing services described in this RFP? If no, please describe and explain any qualifications.
 - d. Please list the total number of professionals in the firm in each of the following categories for the past three years, as of December 31. Each person should be assigned to only one category.

	2004	2004	2005
DB Plan Consultants			
DC consultants			
Actuarial Consultants			
Other Consultants			
Analysts			
Analytical/Systems Staff			
Economists			
Marketing			
Firm Management			
Other (specify)			

- e. How many clients are assigned to each consultant?

- f. Please provide a full biography/resume for each consultant who will be assigned to the Vermont account(s). Include biographies/resumes of other key personnel who may be involved in routine services or special projects for the system(s).
- g. Please provide a brief description of the firm's compensation arrangements for professional staff, including any incentive bonuses, sharing of profits, and/or equity ownership. Specific compensation amounts need not be presented.
- h. Please list the number of institutional clients and assets the firm has serviced in a **full-retainer** capacity over the last five years. (Performance evaluation services and/or project-based work alone are not considered full-retainer investment consulting relationships.) Please provide calendar year-end (December 31) data for each year.

Category	2001	2002	2003	2004	2005
Number of clients					
Assets					

- i. Please list the number of full-retainer clients served by the firm (by asset size and by type) as of December 31, 2005:

Category/Assets	Under \$1 billion	\$1 billion to 5 billion	Over \$5 billion to \$10 billion	Over \$10 billion to \$50 billion	Over \$50 billion
Public Systems					
Union/Taft-Hartley					
Corporate					
Foundation/Endowment					
Other (specify)					

- j. Please list all full-retainer clients added over the past three years.
- k. Please list all full-retainer clients who have terminated their relationship with the firm over the past three years and provide a brief explanation.
- l. Describe your manager database. Is the database proprietary or purchased from an independent source? How is the data compiled?
- m. Describe, by size and style subgroups, how many managers are in the database.
- n. How do you verify data collected from external sources? How often is each manager reviewed/visited by your staff?
- o. Describe your firm's process for monitoring managers in the database with respect to administrative conditions such as staff turnover, mergers, and financial soundness? How are clients kept informed of this type of information?
- p. Explain how due diligence reviews are performed and at what point such reviews would be initiated. Do you initiate or do you wait for instructions from your client to do so?
- q. Explain how firms enter your search universe. How do they "get a foot in the door" of your database? Are there special considerations for considering the use of simulated data?

- r. Please provide an explanation of how your firm will assure compliance with various statutes, rules, regulations and administrative bulletins relative to procurement in Vermont.
- s. Please provide a sample standard investment manager search report, including analysis and recommendations.
- t. What factors do you consider to be critical in reporting performance? Describe the content and format of your performance reports. Describe the sources of data utilized for evaluating clients' performance. How are fund contributions and withdrawals incorporated into performance and other analyses?
- u. Are all performance reports compliant with AIMR Performance Presentation Standards? How is reporting data reconciled with the investment managers and the custodian?
- v. What is the anticipated availability date for each report after quarter end? How much flexibility is there in your reporting format? Can reports be customized at the VPIC's request? Within what time can requested changes in reporting be made; i.e., at the beginning of the relationship only, or anytime changes are needed?
- w. Please provide samples of your performance reports. Do you have the ability to customize reports for your clients?
- x. Has your manager evaluation process resulted in the recommendation of the same equity and fixed income managers consistently over several searches? Please explain and provide examples of recent studies.
- y. Discuss in detail the theory and methodology of the asset allocation models your firm employs. How do you develop asset class assumptions? Provide a sample asset allocation report.
- z. How do you factor in the characteristics of plan liabilities in your asset allocation analysis? Provide a sample asset/liability study. How frequently do you recommend that these be completed?
- aa. Describe your role in implementing manager transitions and/or rebalancing strategic asset allocation targets.
- bb. Outline your process for maintaining a continuous review of investment policy, asset allocation and portfolio structure.
- cc. What role does passive management play in your firm's general view of the asset allocation process for your clients?
- dd. How many active managers does your average client retain? To what styles and market cap ranges are they assigned?
- ee. Discuss the role of alternative investments within a pension portfolio. Do you have clients using alternative investments? If so, what form of alternatives? How does your firm assist in the design, implementation, and monitoring of such an investment program. Do you have staff dedicated to researching this asset class? Describe the elements of a due diligence process for assessing the merits of alternative investments.
- ff. Describe your experience in conducting analyses of custodians. Include a sample report.
- gg. For how many clients has your firm presented education workshops during the past two years? Please describe the content of these workshops.
- hh. Describe what you see as your role in the area of general guidance and direction to staff and the VPIC and any subcommittees.

- **Section 3** – Proposed Value-Added Options – The State 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 4** – 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.

4.5 Bidder’s Proposal PART IV – Bidder References

The bidder shall provide a minimum of four (4) references. At least one must be for public sector clients with at least \$1 billion for which you provide full retainer services, as previously described. 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 services were performed;
- A description of the specific services provided;
- Project statistics such as size of funds, number of investment types, number of indices, etc.

4.6 Bidder’s Proposal PART V – Cost

The bidder must provide an all-inclusive, flat fee by year, incorporating all expenses for the full-retainer consultant services outlined in the RFP. In addition, the bidder shall fully describe any assumptions used in deriving the fixed price. Bidder cost proposals shall be presented in sufficient clarity and detail to enable the State to validate the costs. If the service is optional, non-routine, or would otherwise be outside the scope of the full-retainer services, they may be stated separately either as **a flat fee or hourly rate**.

Bidder costs shall be all-inclusive, reflecting all travel, administrative, labor, and incidental costs.

The format of the cost presentation is as follows:

A. All-Inclusive, Flat Fee Proposal (provide an explanation of services and assumptions incorporated in this fee):

All-Inclusive Flat Fee - Year 1	\$ _____
All-Inclusive Flat Fee - Year 2	\$ _____
All-Inclusive Flat Fee - Year 3 (optional year)	\$ _____
All-Inclusive Flat Fee - Year 4 (optional year)	\$ _____
TOTAL FEES (Years 1-4)	\$ _____

B. Additional Fees:

Please provide a fee quote for any services, if any, that would not be covered in the fees proposed in part A above. Please state as flat fees or hourly rates. Flat fees and/or hourly rates must be all inclusive of all administrative, travel, labor, and incidental costs.

Service _____	\$ _____
Service _____	\$ _____
Service _____	\$ _____

C. Additional Information:

Please provide any additional information that may assist us in more clearly understanding your proposed fee.

NOTE: 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 Responsiveness to Scope of Services and ability to provide requested services
B. General Experience & Qualifications of Firm Experience Assigned personnel Any other resources assigned to State
C. Regulatory Compliance and Independence
D. Cost

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 the bid and contract documents you 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.

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

ATTACHMENT A – STANDARD CONTRACT PROVISIONS

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 \$_____.00.

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).

Attachment D – Standards of Conduct Policy

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. Contractor will certify that it is in compliance with Regulation 2001-01: Standards of Conduct, and will notify the State of any required disclosure. See Attachment D.

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
CUSTOMARY STATE CONTRACT 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.

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

ATTACHMENT B – INVESTMENT POLICY GUIDELINES AND REPORTS

The VPIC is currently in the process of compiling a single investment policy statement. The following policies are in force until super ceded by VPIC policy adoption.

Vermont State Employees’ Retirement System

<http://www.vermonttreasurer.gov/pension/investGuidelines.html>

Vermont State Teachers’ Retirement System

<http://www.vermonttreasurer.gov/pension/investGuidelines.html>

Vermont Municipal Employees’ Retirement System

<http://www.vermonttreasurer.gov/pension/investGuidelines.html>

Other reports of interest may also be viewed on the Treasurer’s Web site

The Vermont State Treasurer web site includes on- line financial reports, investment performance reports (in aggregate and by manager), actuarial and experience studies. These may be obtained at the following address:

www.vermonttreasurer.gov

- End RFP -