



STATE OF VERMONT  
OFFICE OF THE STATE TREASURER

109 State Street, 4<sup>th</sup> Floor  
MONTPELIER, VERMONT 05609-6200  
802-828-2301  
[www.vermonttreasurer.gov](http://www.vermonttreasurer.gov)

## SEALED BID REQUEST FOR PROPOSAL

### VPIC ECONOMICALLY TARGETED INVESTMENT PROGRAM

DATE: May 7, 2007  
QUESTIONS DUE BY: May 25, 2007  
DATE OF BID OPENING: June 25, 2007  
TIME OF BID OPENING: 2:00 P.M.  
LOCATION OF BID OPENING: 109 State Street, Montpelier, VT, 4<sup>th</sup> Floor

ALL NOTIFICATIONS, RELEASES AND AMENDMENTS WILL BE POSTED AT:  
[www.vermonttreasurer.gov](http://www.vermonttreasurer.gov)

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

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



STATE OF VERMONT  
OFFICE OF THE STATE TREASURER

**109 State Street, 4<sup>th</sup> Floor**  
**MONTPELIER, VERMONT 05609-6200**  
802-828-2301  
[www.vermonttreasurer.gov](http://www.vermonttreasurer.gov)

## **SEALED BID INSTRUCTIONS**

All bids must be sealed and must be addressed to the Office of the State Treasurer, 109 State Street, 4<sup>th</sup> Floor, Montpelier, VT 05609-6200. **BID ENVELOPES MUST BE CLEARLY MARKED 'SEALED BID' AND SHOW THE PROPOSAL TITLE, OPENING DATE AND NAME OF PROPOSER.**

All proposers are hereby notified that sealed bids must be in the office of the State Treasurer by the time of the bid opening. Proposers 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 proposers.

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.



STATE OF VERMONT  
OFFICE OF THE STATE TREASURER

109 State Street, 4<sup>th</sup> Floor  
MONTPELIER, VERMONT 05609-6200  
802-828-2301  
[www.vermonttreasurer.gov](http://www.vermonttreasurer.gov)

DATE: May 7, 2007

REQUEST FOR PROPOSAL  
THIS IS A SEALED BID RESPONSE  
BIDS MUST BE RECEIVED BY June 25, 2007, 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 proposer 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)



STATE OF VERMONT  
OFFICE OF THE STATE TREASURER

109 State Street, 4<sup>th</sup> Floor  
MONTPELIER, VERMONT 05609-6200  
802-828-2301  
[www.vermonttreasurer.gov](http://www.vermonttreasurer.gov)

## TABLE OF CONTENTS

<b>1</b>	<b>Overview .....</b>	<b>6</b>
1.1	Executive Summary .....	6
1.2	Minimum Proposer Qualifications .....	6
1.3	Background Information.....	6
1.3.1	<i>Legal Structure of VPIC</i> .....	6
1.4	RFP Single Point of Contact.....	7
1.5	Proposer Questions .....	7
1.6	RFP Timetable .....	8
1.7	Attachments to RFP.....	8
<b>2</b>	<b>Scope of Services.....</b>	<b>9</b>
2.1	General Information .....	9
2.1.1	<i>VPIC Portfolio Information</i> .....	10
2.1.2	<i>VPIC Policy Information</i> .....	10
2.1.3	<i>Capital Gaps</i> .....	11
2.2	Investment Guidelines and Reporting Requirements .....	12
2.3	Documents, Reports, and Other.....	12
2.4	Requirements Related to Conflicts of Interest and Independence.....	12
2.5	Insurance Coverage .....	12
<b>3</b>	<b>Procurement and Contractual Administration .....</b>	<b>13</b>
3.1	Bidding and Contractual Requirements.....	13
3.1.1	<i>Incurred Expenses</i> .....	13
3.1.2	<i>Public Records and Proposer Proprietary Information</i> .....	13
3.1.3	<i>Withdrawal/Irrevocability of Responses</i> .....	13
3.1.4	<i>Pricing</i> .....	13
3.1.5	<i>Subcontracting</i> .....	13
3.1.6	<i>Doing Business in Vermont</i> .....	13
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
<b>4</b>	<b>Proposal Preparation .....</b>	<b>15</b>
4.1	Proposal Acceptance .....	15
4.1.1	<i>Proposal Packaging and Required Copies</i> .....	15
4.2	Proposal Part I -Administrative Section .....	16



STATE OF VERMONT  
OFFICE OF THE STATE TREASURER

109 State Street, 4<sup>th</sup> Floor  
MONTPELIER, VERMONT 05609-6200  
802-828-2301  
[www.vermonttreasurer.gov](http://www.vermonttreasurer.gov)

4.2.1	Cover Letter .....	16
4.2.2	Basic Minimum Qualifications.....	17
4.2.3	Tax Certificate .....	17
4.3	Proposal Part II – Proposer Information.....	17
4.3.1	Section 1 – General.....	17
4.4	Proposal PART III – Proposal Summary .....	19
4.5	Proposal Part IV – Proposer’s References.....	20
4.6	Proposal Part V – Cost .....	20
<b>5</b>	<b>Proposer Evaluation and Selection Criteria .....</b>	<b>22</b>
5.1	Proposer Evaluation.....	22
	<b>Attachment A – Standard Contract Provisions.....</b>	<b>23</b>

# 1 OVERVIEW

This RFP has been issued as the first in an anticipated series of annual invitations for qualified proposers to submit Economically Targeted Investment proposals. The annual schedule (subject to change) for submission, review, and potential funding of investment proposals is scheduled as follows:

- RFP Release and Annual re-Release: May
- Proposals Due and reviewed: June/July
- Selected Vendor Interviews: August
- Commitment for Funding for this ETI Investment: August

The initial schedule within this first RFP may be seen below in section 1.6. Future schedule information will be posted on the Treasurer's Web site at [www.vermonttreasurer.gov](http://www.vermonttreasurer.gov).

The following subsections provide general information about the RFP.

## ***1.1 Executive Summary***

The Vermont Pension Investment Committee is requesting proposals from qualified entities interested in providing investment management services for the Committee's Economically Targeted Investments (ETI) Program.

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

The RFP process will be administered in two stages. Responses to this RFP represent stage one, and must be completed. Treasury staff and VPIC members will review the submitted proposals. A selected group of proposals will pass to a second stage. An RFP supplemental questionnaire will be distributed to all proposers passed on to stage two, to be completed within a specific timeframe. Treasury staff and VPIC members will conduct further reviews and make recommendations to the VPIC Investment/Search Subcommittee and the full VPIC.

**Proposals in response to this RFP are due no later than 2:00 P.M. Eastern Time (ET) on June 25, 2007.**

## ***1.2 Minimum Proposer Qualifications***

**The proposer 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.**

See section 4.2.2 for detailed minimum qualifications.

## ***1.3 Background Information***

### ***1.3.1 Legal Structure of VPIC***

The Vermont Pension Investment Committee (VPIC) was created effective July 1, 2005, and is charged with the responsibility of investing and reinvesting the assets of the Vermont State Employees'

Retirement System, Vermont State Teachers' Retirement System and Vermont Municipal Employees' Retirement System trust funds, as defined in Act 50 of the General Assembly, which can be viewed in its entirety at <http://www.leg.state.vt.us/docs/legdoc.cfm?URL=/docs/2006/acts/ACT050.HTM>.

The primary investment objective of the VPIC is to accumulate assets through investment earnings and other revenue sources to meet the future pension liabilities for all three retirement systems. As of March 31, 2007, the VPIC managed total assets of approximately \$3.25 billion.

The seventeen-member Committee is chaired by the State Treasurer, and includes all members of the three retirement system Boards of Trustees, all of whom serve without compensation. Members of the Treasurer's Office staff, including the Director of Finance and Investments and Board Clerk/Coordinator, along with outside advisors, custodial bank State Street Bank & Trust Co., and investment consultants from New England Pension Consultants assist the VPIC in its day-to-day operations. All policies and investments are approved by the VPIC.

#### **1.4 RFP 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, 4<sup>th</sup> Floor  
Montpelier, Vermont 05609-6200  
Telephone: 802-828-3708  
FAX: 802-828-2772  
E-Mail: [Donna.Holden@state.vt.us](mailto:Donna.Holden@state.vt.us)

All e-mail communication with Ms. Holden must include the words "ETI Program RFP" in the subject line.

**Proposer's proposals, due by 2:00 PM for bid opening on June 25, 2007, are to be delivered to the Treasurer's Office, marked to the attention of Ms. Donna Holden (see above).**

Entities intending to submit a Proposal should not contact any VPIC member, or employees of the Vermont Treasury, other than the Contract Administrator, identified above. An exception to this rule applies to entities which currently do business with Vermont, such as current investment managers, but any contact made by such entities with persons other than the Contract Administrator must be limited to that business, and must not relate to this RFP. In addition, entities which intend to submit a Proposal should not discuss this RFP with any employee of VPIC's custodian, other managers, consultants, or other advisors.

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

#### **1.5 Proposer 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 "ETI Program RFP" in the subject line.

Responses to questions will be posted to our Web site at [www.vermonttreasurer.gov](http://www.vermonttreasurer.gov). All questions submitted must include the name of the entity and the person submitting the questions.

### **1.6 RFP Timetable**

RELEASE DATE OF THE RFP:	May 7, 2007
QUESTIONS DUE BY:	May 25, 2007
ANSWERS TO QUESTIONS POSTED ON <a href="http://www.vermonttreasurer.gov">www.vermonttreasurer.gov</a>	June 1, 2007
ALL PROPOSALS MUST BE SUBMITTED NO LATER THAN 2:00 P.M. Eastern Time ON:	June 25, 2007
IF SELECTED, ISSUE OF STAGE II QUESTIONNAIRE:	July 9, 2007
RESPONSES DUE FOR STAGE II QUESTIONNAIRE:	July 20, 2007
SEARCH COMMITTEE INTERVIEWS:	WEEK OF JULY 30, 2007
VPIC SUBCOMMITTEE MEETING:	August 14, 2007
VPIC COMMITMENT (FUNDING) DATE:	August 15, 2007

### **1.7 Attachments to RFP**

The following information as attachments to the RFP:

- **Attachment A** – Standard Contract Provisions

## 2 SCOPE OF SERVICES

### **2.1 General Information**

The Vermont Pension Investment Committee is requesting proposals from qualified entities interested in providing investment management services for the Committee's Economically Targeted Investments (ETI) Program.

Pursuant to its policy, the VPIC recognizes its obligations and responsibility to seek out investment opportunities that will benefit the economic climate of the State of Vermont as a whole, provided that such investments are consistent with the Committee's obligations to the members and beneficiaries of its participating retirement systems.

The objectives of this RFP are:

- Fill capital gaps in Vermont; i.e., offer financing not currently available through existing market mechanisms;
- Provide specific quantitative and/or qualitative collateral economic benefits to the State of Vermont; and
- Provide a market rate-of-return to the Systems that is commensurate with the assumed risk.

A respondent may propose one or more programs but a separate proposal must be submitted for each program. Allocations will depend initially on the program proposed, but may increase or decrease over time. Proposers may be, but are not limited to, securities investment managers, financial institutions, insurance companies, venture capital portfolio managers, real property investment managers, not-for-profit corporations, and foundations. Proposed programs may include government participants or subsidies.

Programs are not required to include credit enhancements, or partial or full guarantees from government agencies in order to be considered responsive to this RFP. However, credit enhancements from agencies such as the Federal National Mortgage Association (Fannie Mae), the Federal Housing Administration (FHA), the Small Business Administration (SBA), or credit enhancements from private insurers and letters of credit will increase the attractiveness of proposals.

Proposals must identify the capital gap to be filled, the sector of the market that is not efficiently served by lenders, or investors, and clearly demonstrate the collateral benefits to the State of Vermont.

If the program involves loan pools as the investment product, the loan pools must consist primarily of Vermont loans and, to the extent other loans are included, the proposer should clearly articulate the reasons why loan pools consisting of 100% Vermont loans are not practicable and/or demonstrate that local components have been maximized. If investment in a national commingled fund is proposed, there must be a substantial investment of the fund planned for Vermont. Other investment products must comprise primarily Vermont-based investments.

Proposers and/or key staff members must have verifiable experience in the type of program proposed, and the proposer must have adequate resources to carry out the functions proposed. The entity, its principals and/or key staff members must demonstrate a three-year track record in the type of program or financing

proposed, such as loan origination, assembling similar loan portfolios, and management of same or similar debt product, or venture capital portfolios.

### ***2.1.1 VPIC Portfolio Information***

The ETI program does not have a specific allocation within the portfolio, therefore the allocation in total for ETI program commitments of capital would be absorbed within its identified asset class existing in the portfolio.

Investments may be made in diverse investment asset classes including fixed income, equity, real estate, and alternative investments. While several asset class target allocations are currently fully funded, proposals for all VPIC asset classes will be accepted. Subject to size, timing and the quality of the proposed investment, VPIC has the ability to include ETIs in any of its current asset classes.

### ***2.1.2 VPIC Policy Information***

On August 15, 2006, the VPIC adopted the following Economically Targeted Investments Program policy.

VPIC will consider investment opportunities that support economic and community benefits within the State of Vermont, provided that such economically targeted investments (ETIs) are consistent with VPIC obligations to the members and beneficiaries of its participating retirement systems and with the standard of care established by the prudent investor rule under chapter 147 of Title 9 of Vermont law.

Economically targeted investments (ETIs) are investments in a variety of asset classes that generate rates of return commensurate with the overall risk, liquidity, security and structure of comparable non-targeted investments while providing collateral economic benefits (benefits that enhance quality of life and promote economic development and activity) to the targeted area (Vermont). Accordingly, in cases where investment characteristics, including returns, risk, liquidity, and compliance with allocation policy, are appropriate, VPIC will consider, through an annual request for proposals, those ETI investments that have a substantial, direct and measurable benefit to economic or community development within the State of Vermont.

Such Economically Targeted Investments (“ETIs”) must meet the following criteria:

1. Investments must target risk-adjusted, market-rate returns and provide net returns equivalent to or higher than other available investments, at commensurate levels of risk. Economic or social benefits will not justify a lower return on any VPIC investment. When evaluating ETI opportunities, VPIC will discount projected returns for any subsidies, deferral of income, higher risk levels, and other concessions to reach a real rate of return for comparison with other ETI and non-ETI investment alternatives. Similarly, ETI benefits will not justify higher investment risk. However, where appropriate, the VPIC will consider third party guarantees, recourse, hedging, and other acceptable and customary risk management vehicles to reduce or eliminate risk in ETI investments.
2. Investments must not exceed a reasonable weighting in the portfolio, including tracking the degree of exposure to the Vermont economy and ensuring appropriate geographic diversification. Investments should maintain the overall portfolio’s compliance with its asset allocation strategy. ETI benefits will not justify deviation from the Asset Allocation Plan adopted by the VPIC.

3. Investments should be placed with an experienced and capable manager through an objective and transparent process. Investments should be managed by qualified discretionary investment managers. **VPIC will not make any direct investments.**

4. Investments should target a “capital gap” where there are likely to be underserved markets (see Section 2.1.3 below).

5. Investments must be tracked (both investment performance and collateral benefits) and managed with the same rigor and discipline imposed on other investments. Investments should be reviewed and monitored by VPIC staff and consultants without inappropriate expenditure of time and resources. The performance of each investment shall be measured against an appropriate benchmark, to be identified initially in conjunction with the making of the investment and to be modified from time to time to provide a suitable measurement of performance relative to investments with similar levels of risk, liquidity, security and structure. The collateral economic benefits shall be quantified to the extent possible and measured alongside the anticipated goal of the investment.

- Proposed investments will be evaluated according to the following factors:
- The clarity of the proposed investment or program and its parameters and goals;
- The extent to which the proposer demonstrates that the proposed investment or program will produce the anticipated risk-adjusted return and collateral benefits;
- The quality, reputation and experience of the investment managers and their ability to implement a proposed program or investment;
- The quality of controls and reporting systems (including audited financials, risk management systems and reports to investors);
- The fit within the Plan VPIC portfolio; and
- The appropriateness of terms and conditions.

### ***2.1.3 Capital Gaps***

Capital gaps within the State of Vermont which may be addressed by ETIs comprise sectors of the State’s economy and infrastructure that are subject to inadequate sources of capital to meet public policy objectives such as economic development and small business growth; expansion of production of goods and services by small to medium size environmentally sound businesses for local, regional and national markets; quality housing for low and moderate income groups; and other collateral benefits consistent with sound public policy. Collateral benefits may be quantitative (e.g., the investment results in additional affordable public housing units produced) or qualitative (e.g., the investment results in improved public facilities or environmental benefits).

The following are examples of capital gaps in the State of Vermont:

- Low to moderate income quality housing investment: funding for managed mortgage programs suitable for first time and other underserved borrowers; entities lending to affordable housing projects.

- Loans or equity capital funding for small to medium size businesses: Venture Capital, Mezzanine Debt Funds; debt and equity expansion capital; SBIC lending programs and purchase of SBA loans; other lending or investing to promote the expansion of environmentally attractive businesses including technology and environmental engineering.
- Real Property Investing: traditional real estate development, timber and other natural resource development.

The above list is not intended to be exhaustive; proposals for funding of other capital underserved sectors that address public policy objectives and provide collateral benefits will be considered.

## **2.2 Investment Guidelines and Reporting Requirements**

To view a complete version of the VPIC's investment guidelines, adopted by the VPIC in February 2005, please visit the Treasurer's Website at: <http://www.vermonttreasurer.gov/pension/investguidelines.html>

## **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 by for purposes unrelated to the subsequent contract.

## **2.4 Requirements Related to Conflicts of Interest and Independence**

Proposers shall identify all existing or potential conflicts of interest that would prevent the proposer 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 proposer shall remain free from personal and external impediments to independence, and verify its 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. Proposers may be asked to give a verbal presentation. Failure of proposer to respond to a request for additional information or clarification could result in rejection of that proposer'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 proposer. 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 Proposer Proprietary Information***

All responses will become the property of the State of Vermont and will be a matter of public record.

##### ***3.1.3 Withdrawal/Irrevocability of Responses***

A proposer may withdraw and resubmit a Proposal prior to the Proposal Deadline. No withdrawals or re-submissions will be allowed after the Proposal Deadline.

##### ***3.1.4 Pricing***

The proposer 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 proposer 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 proposer 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 proposer will be expected to execute sub agreements for each subcontractor named in the proposal upon award of this contract. The proposer 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 proposer must provide subcontractor cost estimates in the proposer's cost proposal.

##### ***3.1.6 Doing Business in Vermont***

The proposer 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 proposer is registered with the Secretary of State's Office.

Proposers 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, which is 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 proposer.

### ***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 proposers' written approval.

### ***3.1.9 Revisions to the Solicitation***

The State reserves the right to modify requirements should a proposer 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](http://www.vermonttreasurer.gov) and will not be distributed through any other means. It is the proposer'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 proposer's response/proposal, all questions and answers, and all RFP amendments (if any) will become part of the contract by reference.

The proposer is expected to respond with due diligence by providing the requested information in the designated manner. Proposers 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 the State.

### ***3.1.11 Contract Duration***

The successful proposer to this RFP can expect a contract with the State (see sample contract Attachment A), for a term to be determined following proposal reviews, and negotiations.

**A successful proposer 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 proposer. Any additional contract language sought by the proposer must be provided with the bid, or such language requests shall be waived by the proposer. Any proposer 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 proposer'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. Proposers should be aware that the State of Vermont rarely accepts amendments to its standard form contract.**

## 4 PROPOSAL PREPARATION

This section sets forth the format that must be followed by proposers in developing their proposals in response to this RFP. The instructions provided and format requested for 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 proposer's favor.

The RFP process will be administered in two stages. Responses to this RFP represent stage one, and must be completed. Treasury staff and VPIC members will review the submitted proposals. A selected group of proposals will pass to a second stage. An RFP supplemental questionnaire will be distributed to all proposers passed on to stage two, to be completed within a specific timeframe. Treasury staff and VPIC members will conduct further reviews and make recommendations to the VPIC Investment/Search Subcommittee and the full VPIC.

### **4.1 Proposal Acceptance**

The proposer is encouraged to include additional information or data as may be appropriate or to offer alternate solutions. However, the proposer 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 proposer 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 proposer 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.

Proposers must submit ten (10) 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 proposer 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: <b>ETI Program RFP</b>
RFP section:        Technical or Cost
<b><i>Closing date and time for submission of proposals: June 25, 2007, 2:00 pm.</i></b>
Name, address, e-mail, and (voice) telephone number of entity submitting proposal

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

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

Part I – Administrative	Title page Table of Contents Cover Letter as described below Basic Qualifications Tax Certificate
Part II	Proposer Information
Part III	Proposal Summary
Part IV	Proposer References
Part V (to be packaged separately)	Cost

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

## **4.2 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 VPIC’s Request for Proposals (RFP) for VPIC Economically Targeted Investments Program 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 VPIC.”*

A person authorized to bind the entity 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 proposer 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 proposer has not in any manner sought by collusion to secure an advantage over any other respondent.
- The proposer has thoroughly examined the RFP requirements, and the proposed fees cover all the services that the State has requested.
- The proposer acknowledges and accepts all terms and conditions included in the RFP.

- The proposer agrees to provide services in a manner acceptable to the State, and as stipulated in the RFP and subsequent contract.
- The proposer 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 proposer and key professionals do not accept fees and derive no benefit from relationships with any persons involved in the RFP.
- The proposer has completed and submitted, with the RFP response, the Vermont Tax Certificate, provided in this RFP.

#### **4.2.2 Basic Minimum Qualifications**

All entities submitting Proposals must clearly demonstrate that they meet the VPIC’s ETI criteria. Please provide a detailed response to the questions below.

1. The proposing entity must demonstrate that their investments target risk-adjusted and market-rate returns and provide net returns equivalent to or higher than other available investments, at commensurate levels of risk. Economic or social benefits will not justify a lower return on any VPIC investment.
2. The proposing entity should demonstrate that its entity is capable of acting as a qualified discretionary investment manager.
3. The proposing entity must demonstrate that its investments will target a “capital gap” where there are likely to be markets underserved by sources of capital.
4. The proposing entity must demonstrate that its entity is capable of tracking investment performance and the collateral benefits of its investments.
5. The proposing entity must demonstrate a substantial portion of the proposed investment will be invested within the State of Vermont.
6. The proposing entity must be proposing a long-only strategy; i.e., entities trading publicly traded securities may not engage in short-selling.

#### **4.2.3 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 Proposal Part II – Proposer Information**

#### **4.3.1 Section 1 – General**

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

1. What Asset class is appropriate for your product you are proposing? (Please check off.)

Equity \_\_\_\_\_  
Fixed Income \_\_\_\_\_  
Real Estate \_\_\_\_\_

Alternatives (Venture Capital/Buyout) \_\_\_\_\_  
Timber \_\_\_\_\_  
Other (specify) \_\_\_\_\_

2. Company Type:

\_\_\_\_\_ Independent Investment Advisor\*  
\_\_\_\_\_ Bank Affiliated Investment Advisor  
\_\_\_\_\_ Broker Affiliated Investment Advisor  
\_\_\_\_\_ Insurance Affiliated Advisor  
\_\_\_\_\_ Holding Company Subsidiary/Affiliate\*\*  
\_\_\_\_\_ Mutual Fund  
\_\_\_\_\_ Not-for-profit Corporation  
\_\_\_\_\_ Foundation  
\_\_\_\_\_ Other ( describe) \_\_\_\_\_

\* Use this option if your entity is not in any way affiliated with banks, brokerage houses, insurance or mutual companies, or any other company.

\*\* Ownership by United Asset Management , Affiliated Managers Group, etc.

3. Give a brief history of the entity including:

- a. the month and year of SEC 1940 Act registration, if applicable,
- b. the month and year the entity began managing proposed product,
- c. your background in the type of proposed product/investment.

4. Describe the ownership of the entity, including but not limited to:

- a. ownership structure,
- b. affiliated companies or joint ventures,
- c. if an affiliate, designate percent of parent entity's total revenue generated by your organization,
- d. if the entity is a joint venture partner, identify the percentage of ownership and revenues recognized by each partner to the combined association.

5. Provide an organizational chart diagramming the relationships between the professional staff as well as the parent-subsidiary, affiliate, or joint venture entities.

6. Over the past five years, has your organization or any of its affiliates or parent, or any officer or principal been involved in any business litigation, regulatory or legal proceedings? If so, provide a detailed explanation and indicate the current status. If you are a registered investment company , provide complete Form ADV (Parts I and II).

7. Describe in detail any potential conflicts of interest your entity may have in the management of this account. Include any activities of affiliated or parent organizations, brokerage activities, investment banking activities, or any past or current relationships with VPIC members and Treasurer's Office staff. Include any other pertinent activities, actions, or relationships not specifically outlined in this question. Also disclose any business relationship with any of VPIC's consultants or advisors.

8. Describe in detail the material or potential developments in your organization (changes in ownership, personnel, business, etc.) over the past three years.

#### **4.4 Proposal PART III – Proposal Summary**

The proposer must include a statement 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 proposer’s philosophy, services and qualifications.

The narrative should include, but not be limited to, the following considerations/elements. The specifics will, of course, be dictated by the nature of the proposed investment.

1. Program Concept and Investment Type:
  - a. State the type of program and provide a short general description of the concept, approach and strategy.
  - b. Identify how it meets a capital gap and its collateral benefits.
  - c. Clearly identify the type of investment to be made by VPIC (e.g., limited partnership interest, fixed income security, etc.) and indicate the program’s overall funding objective. Also state the minimum acceptable investment size.
  
2. Program Structure and Operations: Describe the structure of the proposed program (such as a separate portfolio of loans to be purchased by the proposer as agent for VPIC, a venture capital entity, etc).
  - a. If a loan or loan pool, describe the nature of the loan instrument(s), (e.g., a first mortgage, a collateralized line of credit), its underlying security and its priority.
  - b. Describe the role of guarantee agencies, if applicable, or other participants, including any sources of credit enhancements.
  - c. If applicable, describe the role of any municipal, state or federal agency or authority and describe any subsidies and/or tax abatements to be utilized in the program
  - d. Describe the role of the proposer with respect to the proposed product and those of other collaborating entities.
  - e. If you are proposing loan pools as a proposed investment/product, indicate the percentage of Vermont-based loans and how Vermont loans are maximized, consistent with the parameters outlined in the Scope of Services. Describe the proposed geographical area covered and the proportions of loans in terms of dollars and number of loans. If you are proposing a national commingled fund, indicate how you will invest a substantial amount of the fund in Vermont.
  
3. Coordination with other investments/products:
  - a. Describe your experience with similar products or investments
  - b. What is your entity’s current volume of similar portfolios?
  - c. Describe how your entity will allocate the proposed investment between your current and planned portfolios, other clients and VPIC.
  
4. Risk Management:
  - a. Describe the criteria and overall risk management methodology to be used for this proposed investment/product (e.g., diversification, due diligence, hedging, collateralization).

- b. How do the methodologies and criteria differ from those used for similar portfolios and why?
  - c. If a loan product or similar applicable service, describe the proposed underwriting criteria and loan evaluation process. Where appropriate, include maximum loan-to-value ratios, debt service coverage and collateral requirements. Also describe the methodology for approval and determination of credit-worthiness of borrowers, the strategy for minimizing loan defaults and proposed monitoring systems.
5. Timeline for Implementation and Projected Demand:
- a. Describe the implementation/timeline of the proposed investment/product.
  - b. Quantify demand. How large is this market and how large is the demand/need for this investment product (in dollars and other size measure as appropriate).
  - c. What barriers/capital markets exist for this service and how are they addressed with this product (i.e., link to capital gap and types of investment vehicles).
6. If the proposed investment is to be an ongoing managed asset pool, please provide expected returns relative to an appropriate benchmark and provide rationales for this expectation. If the proposed investment involves a closed-end, defined term structure, please provide a projections model of expected returns. Include minimum and maximum investment term, key assumptions, and principal risks to achieving projected results. The model should show investment and return cash flows at least annually for the expected term of the investment.
7. Provide a description of your compliance monitoring for investments including portfolio reviews, personnel involved, and practices for notification of non-compliance with the product's guidelines.
8. Provide accounting statements for your entity for up to the three previous fiscal years. Are these audited?
9. Provide a description of the accounting audit and review procedures that will be used for the proposed product including accounting firm name, frequency of reporting, level of oversight by the accounting firm, etc. Also, provide a sample of investment reporting for the proposed product.

#### **4.5 Proposal Part IV – Proposer's References**

Provide three references of investors/partners that have invested in, or conducted business with, your entity within the past ten years. Please include name, position, relationship, address, phone number and e-mail address. Please confirm that each reference may be contacted without further permission, or advise as to contact procedures.

#### **4.6 Proposal Part V – Cost**

Once a manager has been selected, negotiations of the fee may become necessary in order to account for the size of funding, the increments of funding, and any clarification. In no case will the negotiations result in a fee which is higher than the fee contained in the proposal.

1. Proposed Fees

- a. Provide a description of how your entity proposes to be compensated for this program. Proposals should not include the costs for developing the organizational capacity to deliver the proposed product. The VPIC will not provide any funding for organizational development or for developing a product pipeline.
  - b. If an asset-based fee Schedule: \_\_\_\_\_ basis points per annum. Please list separate schedules for commingled/separate account management.
2. Do fees in #1 above include custody fees? If not, please specify.
3. Additional Service 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 _____	\$ _____

4. Indicate all sources of compensation for your entity/organization regarding the proposed product including the fees/expenses that will be paid by the borrower, VPIC or any other source. If applicable, include information on fees/expenses collected for originating loans, servicing loans, or any other fees charged/received by your organization.

**NOTE: This part of the proposal (4.6 Proposal Part V - Cost) 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 PROPOSER EVALUATION AND SELECTION CRITERIA

### 5.1 Proposer Evaluation

The RFP process will be administered in two stages. Responses to this RFP represent stage one, and must be completed. Treasury staff and VPIC members will review the submitted proposals. Selected proposals will pass to a second stage. An RFP supplemental questionnaire will be distributed to all proposers passed on to state two, to be completed within a specific timeframe. Treasury staff and VPIC members will conduct further reviews and make recommendations to the VPIC Investment/Search Subcommittee and the full VPIC.

Proposals selected for additional review will be evaluated by the Investment/Search Subcommittee (I/SS) of the VPIC. Proposers may be invited to a due-diligence interview with the Investment/Search Subcommittee. Based on the Selection Criteria set forth in this RFP (including the Fee Proposals), the I/SS will select finalists to recommend to the full VPIC to serve as investment manager(s).

A selected finalist may also be required to make an oral presentation to the VPIC. The VPIC may accept the recommendations of the I/SS or, based on the Selection Criteria set forth in this RFP, may rank the entity's differently from the I/SS and recommend another entity or entities to provide investment management services to VPIC. All final decisions are the responsibility of the VPIC.

The I/SS and/or VPIC reserve the right to seek clarification of any proposal submitted, request oral presentations and to select the proposal considered to best promote the public interest.

<b>Evaluation of Proposals</b>
<b>The clarity of the proposed investment or program and its parameters and goals;</b>
<b>The proposed investment or program will produce the anticipated risk-adjusted return and collateral benefits;</b>
<b>The quality, reputation and experience of the proposer and their ability to implement a proposed program or investment;</b>
<b>The quality of controls and reporting systems (including audited financials, risk management systems and reports to investors);</b>
<b>The fit within the Plan VPIC portfolio;</b>
<b>The appropriateness of terms and conditions;</b>
<b>Cost/Best Value.</b>

## ATTACHMENT A – STANDARD CONTRACT PROVISIONS

### STATE OF VERMONT STANDARD CONTRACT FOR PERSONAL SERVICES

1. Parties: This is a contract for 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’s Vermont Department of Taxes Business Account Number is: #\_\_\_\_\_. If Contractor does not have a Business Account Number, it is the Contractor’s responsibility to contact the Vermont Department of Taxes to determine if, by law, the Contractor is required to have a Vermont Department of Taxes Business Account Number.

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

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

4. Contract Term: The period of Contractor’s performance shall begin on \_\_\_\_\_, 20\_\_ and end on \_\_\_\_\_, 20\_\_.

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

- Approval by the Attorney General’s Office is/is not required.
- Approval by the Secretary of Administration is/is not required.
- Approval by the CIO/Commissioner DII is/is not required.

6. Amendment: No changes, modifications, or amendments in the terms and conditions of this contract shall be effective unless reduced to writing, 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.

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

Attachment A – Specifications of services to be performed  
Attachment B – Payment Provisions

Attachment C –“Standard State Contract Provisions,” a preprinted form (revision date 10/06), except that the following numbered paragraphs are not included:

\_\_\_\_\_  
Attachment D – Other Provisions.

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 SERVICES TO BE PERFORMED**

1. Contractor shall act as an investment adviser for the State. Contractor shall supervise and direct the investment and reinvestment of the assets allocated to it by making investments in \_\_\_\_\_. Contractor's goal is to attempt to provide a return after fees and commissions, over rolling 10-year periods, in excess of the \_\_\_\_\_ index(es). Performance results will be calculated in accordance with AIMR standards.

2. Contractor shall discharge its duties solely in the interest of the State and in accordance with the standard of care established by the prudent investor rule.

3. Contractor shall invest the assets principally in \_\_\_\_\_. However, Contractor may invest the assets in short-term fixed income securities and cash equivalents when Contractor believes such investments are appropriate. All investments shall invest in accordance with the State's "Statement[s] of Investment Policy Guidelines", as may be amended from time to time. At any time during the term of this Contract, Contractor may find the most current versions of the "Statement[s] of Investment Policy Guidelines" on the Office of the Vermont State Treasurer's website, which may be located at: <http://www.vermonttreasurer.gov/>.

4. Contractor shall ensure that investments in the portfolio managed by Contractor are suitably diversified so that an adversity affecting a particular sector will not impact a substantial share of the total portfolio.

5. Contractor shall ensure that securities brokerage transactions are carried out for the benefit of the State with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the State.

6. Contractor shall provide monthly reports to the State's custodian bank on the portfolio's holdings, transactions, income and performance. Contractor shall reconcile all portfolio balances with custodian bank, and shall cooperate with the State's consultant and Director of Investment Services to assure that reports are prepared and presented in a useful format. Contractor shall provide quarterly reports including the portfolio's holdings, transactions, income and performance to the State's Investment Consultant and the State's representatives as indicated in item nine (9). Contractor shall make at least one presentation per year in Montpelier, or when requested by the State.

7. Contractor shall vote proxies, if any, as directed by the State or its authorized agent, in the best interests of the State and consistent with Vermont law as reflected in the State's "Proxy Voting Guidelines", as may be amended from time to time. At any time during the term of this Contract, Contractor may find the most current versions of the "State's Proxy Voting Guideline" on the Office of the Vermont State Treasurer's website, which may be located at: <http://www.vermonttreasurer.gov/>. If requested, the Contractor shall provide quarterly reports on proxy voting within 30 days after the end of each quarter whether or not any proxies were voted in that quarter.

8. Contractor represents that it is registered as an investment adviser under the Investment Advisers Act of 1940 and that such registration is currently effective.

9. Notices: All notices required by this contract shall be directed to:

if for the State:

David Minot  
Director of Finance and Investments  
Office of the State Treasurer  
109 State Street  
Montpelier, VT 05609-6200  
Phone: 802-828-5197  
Fax: 802-828-2772  
e-mail: [david.minot@state.vt.us](mailto:david.minot@state.vt.us)

Donna Holden  
Contract Administrator  
Office of the State Treasurer  
109 State Street  
Montpelier, VT 05609-6200  
Phone: 802-828-3708  
Fax: 802-828-2772  
E-mail: [donna.holden@state.vt.us](mailto:donna.holden@state.vt.us)

and if for the Contractor:

10. At the time of termination, or completion of the contract, the Contractor shall cooperate fully and in good faith in the transition of the State's investments as directed by the State. Cooperation shall include, but is not limited to: cooperating fully with the State's transition manager, and providing all information necessary to account for the State's investments and to assure a prompt and successful transition of the State's funds.

**STATE OF VERMONT  
CONTRACT FOR PERSONAL SERVICES**

**ATTACHMENT B  
PAYMENT PROVISIONS**

[For Fees Payable to Contractor Contracts]

State shall pay Contractor fees equal to \_\_\_\_\_% (\_\_\_\_\_basis points) of the assets invested by Contractor under this contract. Fees shall be calculated based on the end of quarter market values of the assets invested. All fees shall be billed quarterly in arrears and shall be paid in U.S. dollars.

[For Net Fee Contracts]

State shall pay Contractor fees and expenses as follows: \_\_\_\_\_.

At least once every quarter, Contractor shall provide the State with a written reconciliation of any fees and expenses charged to the State under this Contract. This reconciliation shall describe and itemize the fees and expenses charged and shall reconcile those fees and charges to the fees and expenses described above. Contractor shall also provide the State with an explanation of how the fees and expenses charged to the State are reflected in the financial reports provided to the State's Custodian Bank.

**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 will 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 appropriation authority.

4. **No Employee Benefits for 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, workers compensation or other benefits or services available to State employees, nor will the State withhold any state or federal taxes except as required under applicable tax laws, which shall be determined in advance of execution of the contract. 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 misconduct or as a result of the Contractor's negligent acts or omissions in the performance of this contract.

6. **Insurance:** Before commencing work on this contract, the Contractor must provide certificates of insurance to show that the following minimum coverages are in effect. It is the responsibility of the Contractor to maintain current certificates of insurance on file with the State through the term of the contract.

Workers Compensation: With respect to all operations performed, the Contractor shall carry workers 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
- 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 Operations Aggregate
- \$ 50,000 Fire/Legal/Liability

Errors and Omissions: \$5,000,000.00 per occurrence. \* Subject to higher available maximums.

Automotive Liability: The Contractor shall carry automotive liability insurance covering all motor vehicles, including hired and non-owned coverage, 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 established 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, payroll papers, accounting records and other evidence pertaining to costs incurred under this agreement and make them available at reasonable times during the period of the contract and for three years thereafter for inspection by any authorized representatives of the State or Federal Government. If any litigation, claim, or audit is started before the expiration of the three-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved. The State, by any authorized representative, shall have the right at all reasonable times to inspect or otherwise evaluate the work performed or being performed under this contract.

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

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

11. **Taxes Due to the State:**

a. Contractor understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of use tax on property used within the State, 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 of the contract is signed, he/she:

- a. is not under any obligation to pay child support; or
- b. is under such an obligation and is in good standing with respect to that obligation; or
- c. has agreed to a payment plan with the Vermont 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 his agreement or any portion thereof to any other contractor without the 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.

16. **Certification Regarding Debarment:** Contractor certifies under pains and penalties of perjury that, as of the date that this contract is signed, neither Contractor nor Contractor's principals (officers, directors, owners, or partners) are presently debarred, suspended, proposed for debarment, declared ineligible or excluded from participation in federal programs or programs supported in whole or in part by federal funds.

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

**STATE OF VERMONT  
CONTRACT FOR PERSONAL SERVICES**

**ATTACHMENT D  
STANDARDS OF CONDUCT**

**REGULATION 2001-01: STANDARDS OF CONDUCT**

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

**§1. STATEMENT OF PURPOSE**

A. The Boards of Trustees of the State Teachers' Retirement System of Vermont, the Vermont State Retirement System, and the Vermont Municipal Employees' Retirement System are entrusted with the investment of public pension funds of the retirement Systems and are obligated to safeguard the funds for the benefit of members and beneficiaries. The Trustees are obligated to administer the Systems efficiently and effectively in the interests of the plans' members and beneficiaries so as to avoid waste, mismanagement, abuse, and misuse of influence. The Trustees of these public pension Systems have a duty to administer and provide

benefits in a responsible manner without causing an undue burden on their members or Vermont taxpayers.

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

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

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

## **§2. AUTHORITY**

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

## **§3. APPLICABILITY**

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

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

C. These Standards of Conduct are intended to supplement, and not to replace, other state and federal laws. Where this code is less restrictive than another law, executive order, or regulation that applies to the conduct and activities of Trustees and employees of the Boards, such other stricter terms shall apply. Where this code is more restrictive than any other applicable law, executive order or regulation, the stricter standards of this code shall apply.

## **§4. DEFINITIONS**

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

A. "Benefit" means any gain, favor, profit, reward, value, accommodation or other advantage, including a benefit to any other person in whose welfare the beneficiary is interested.

B. "Conflict of Interest" means any personal or financial interest of a Trustee, or such an interest, known to the Trustee, of a member of his or her immediate family, household member, or business associate in the outcome of any particular matter pending before the Board. A conflict of interest includes, but is not limited to, those defined in subsection 5.

C. "Employee of the Boards" means a person employed by a Board or Boards of Trustees. Employees of the Vermont State Treasurer's Office shall not be considered employees of the Boards.

D. "Gift" means any form of compensation or anything of value, tangible or intangible, and includes, but is not limited to, meals, alcoholic beverages, travel fare, room and board, gratuities, entertainment, cash, goods or services.

E. "Interest" means any personal or financial interest except an interest that is incidental to the person's membership in the System or participation in a plan administered by the System that is no greater than that of other persons generally affected by the outcome of the matter.

F. "Potential Vendor" means any Vendor that has bid on a System contract and any Vendor that is in the business of providing goods or services of the type routinely purchased by the System, whether or not it has bid on a System contract, including but not limited to administrative, investment, financial, banking, and consulting services.

G. "Systems" means the State Teachers' Retirement System of Vermont, the Vermont State Retirement System, and the Vermont Municipal Employees' Retirement System.

H. "Trustee" means any person who serves as a Trustee or any person who serves as the designee of an ex-officio Trustee or as an alternate to a Trustee of any of the Systems.

I. "Vendor" means a natural person, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, a limited liability company, or a limited liability partnership that performs services for the Systems for direct or indirect compensation. The term includes affiliated entities and trade organizations.

## **§5. PROHIBITED CONDUCT: CONFLICTS OF INTEREST**

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

A. Solicitation or acceptance of a gift or benefit from any Vendor or potential Vendor except in accordance with Section 9(A).

B. Solicitation or acceptance of a gift or benefit from any person or entity with a personal or financial interest in the outcome of a particular matter pending before the Board.

C. The purchase, sale, exchange, or lease of property to or from the System which he or she serves.

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

**§6. Disclosure**

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

**§7. Recusal**

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

**§8. TRAVEL, CONFERENCES AND MEETINGS**

- A. The reasonable and necessary expenses of travel, lodging, meals, and incidentals for a Trustee or employee of a Board traveling on behalf of a Board, or in his or her capacity as a

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

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

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

**§9. GIFTS AND GRATUITIES**

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

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

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

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

public inspection.

**§10. INITIATION OR CONTINUATION OF CONTRACTUAL RELATIONSHIP**

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

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

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

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

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

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

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

**§11. Sanctions**

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

1. A recommendation that a Trustee refrain from participation and voting in a matter or matters pending before the Board.
  2. A recommendation that a Trustee repay or return any gift or benefit received by a Trustee from a Vendor or potential Vendor.
  3. A recommendation that a Trustee refrain from particular actions that the Board determines constitute an actual or potential conflict and are detrimental to public confidence in the system's integrity.
- B. A Board of Trustees may take appropriate disciplinary action, up to and including dismissal, if an Employee of the Board fails to comply with the provisions of this rule.

*Effective Date: July 18, 2001*

**- End RFP -**