



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)

## REQUEST FOR PROPOSAL

### STATE OF VERMONT DEFINED CONTRIBUTION INVESTMENT, ADMINISTRATION AND RECORDKEEPING

DATE: **May 15, 2007**

QUESTIONS DUE BY: **June 7, 2007**

DATE OF BID OPENING: **June 21, 2007**

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

LOCATION OF BID OPENING: **109 State Street, Montpelier, VT, 4<sup>th</sup> Floor**

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



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## **SEALED BID INSTRUCTIONS**

All bids must be sealed and must be addressed to the Office of the State Treasurer, 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 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: **May 15, 2007**

REQUEST FOR PROPOSAL  
THIS IS A SEALED BID RESPONSE  
BIDS MUST BE RECEIVED BY **June 21, 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 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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# 1 OVERVIEW

The following subsections provide general information about the RFP.

## ***1.1 Executive Summary***

The Vermont Office of the State Treasurer (State) is seeking comprehensive, bundled Defined Contribution Plan recordkeeping, administration and investment options for the State of Vermont Defined Contribution Plan and the Vermont Municipal Employees' Defined Contribution Plan.

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 June 21, 2007.**

## ***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.**

- The bidder must demonstrate a history of providing the desired services with a minimum of 10 years of experience.

## ***1.3 Single Point of Contact***

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

Name: 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 "State of Vermont DC Plan Administration RFP" in the subject line.

**Bidder's proposals, due by 2:00 PM for bid opening on June 21, 2007, are to be delivered and marked to the attention of Donna Holden (see above).**

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

### **1.4 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 “State of Vermont DC Plan Administration RFP” in the subject line.

Response 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 firm and the person submitting the questions.

### **1.5 RFP Timetable**

RELEASE DATE OF THE RFP:	May 15, 2007
QUESTIONS DUE BY:	June 7, 2007
ANSWERS TO QUESTIONS POSTED ON <a href="http://www.vermonttreasurer.gov">www.vermonttreasurer.gov</a>	June 12, 2007
ALL PROPOSALS MUST BE SUBMITTED NO LATER THAN 2:00 P.M. Eastern Time ON:	June 21, 2007

### **1.6 Attachments to RFP**

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

- **Attachment A** – Standard Contract Provisions
- **Attachment B** – Corporate Agreement of Confidentiality
- **Attachment C** – Plan Investment Assets
- **Attachment D** – Cost Matrix
- **Appendix A** – VSERS Plan Performance Summary
- **Appendix B** – VMERS Plan Performance Summary

## 2 SCOPE OF SERVICES

The Vermont Office of the State Treasurer (State) is seeking comprehensive, bundled Defined Contribution Plan recordkeeping, administration and investment options for the State of Vermont Defined Contribution Plan and the Vermont Municipal Employees' Defined Contribution Plan.

The services that are being sought include the following three components:

- ▶ Investment Options and Management – must include at least one investment option in all major asset classes, as well as “age-related, life-style” funds
- ▶ Administration – support the administration of the plans by assisting with the processing of plan transactions
- ▶ Recordkeeping – record the transactions in a timely and accurate manner

Subcontracting of some of the above components is permissible upon approval of the State, and consistent with the provisions of the State Standard Contract – Attachment C #13, providing it is understood that the bidder will be responsible for ensuring the subcontractor meets the expectations and mandates of the RFP and subsequent contractual requirements.

### **2.1 General Information**

The State of Vermont established a defined contribution plan for exempt employees effective January 1, 1999. The Vermont Municipal Employees' Retirement System's (VMERS) Board of Trustees established a defined contribution plan effective July 1, 2000, that may be offered by its participating employers as an alternative to the defined benefit plans. These two plans are defined contribution retirement plans qualified under Section 401(a) of the Internal Revenue Code (IRC). These plans are not subject to the requirements of ERISA or those sections of the IRC not applicable to governmental plans. The State reserves the right to expand the State plan to additional employee groups in the future.

#### ***2.1.1 Eligibility and Participation***

##### ***State of Vermont Plan***

Each exempt State employee hired on or before December 31, 1998, was given a one-time opportunity to transfer from their State defined benefit pension plan to the new defined contribution retirement plan. The election to transfer, which was irrevocable, was effective January 1, 1999. A description of the State's defined benefit plans be found at the following Web site:

<http://www.vermonttreasurer.gov/retirement/state/index.html>

All exempt State employees hired on or after January 1, 1999, are given the option to join either the defined contribution plan or the State's current defined benefit plan. This one-time election at date of hire is irrevocable. Employees are eligible for both plans from their date of hire.

If an employee elects to transfer to the defined contribution plan, all rights and privileges under the State's defined benefit pension plan are transferred to the new plan. This includes a transfer of a lump sum payment of the present value of the employee's benefit accrued through date of transfer, if any, as well as all contributions made into the defined benefit plan since date of exempt employment.

The State of Vermont Plan had a total of 589 participants and \$38,681,835 in assets as of 1/31/07. The growth of the plan is indicated below:

<u>Calendar Year</u>	<u>Number of Participants</u>	<u>Assets</u>
2002	526	\$ 25,390,988
2003	579	30,411,345
2004	585	32,979,237
2005	595	34,349,090
2006	589	38,164,296

### ***Vermont Municipal Employees' Retirement System (VMERS) Plan***

Governing bodies of Vermont municipalities that participate in the VMERS may elect to offer the defined contribution plan to all eligible employees or select groups of employees as an alternative to an existing defined benefit plan. *Municipality* is defined by statute as a city, town, county, incorporated village, fire district, consolidated water district, housing authority, union municipal district, school district, incorporated school district, union school district or any of their instrumentalities.

Once offered by the participating employer, eligible employees have a one-time opportunity to transfer from their defined benefit pension plan to the new defined contribution retirement plan. There are currently 77 participating employers in the DC plan, out of a potential pool of over 400. Slightly less than half of the employees who work for a participating employer participate in the DC plan.

A description of the VMERS defined benefit plans may be found at the following Web site:

<http://www.vermonttreasurer.gov/retirement/muni/index.html>

All new employees hired into the employment group(s) who have been offered the defined contribution plan will be given a one-time option to join either the defined benefit or defined contribution plan. This one-time election at date of hire is irrevocable as long as the employee remains employed by the same employer.

If an employee elects to transfer to the defined contribution plan, all rights and privileges under the VMERS defined benefit pension plan are transferred to the new plan. This includes a transfer of a lump sum payment of the present value of the employee's benefit accrued through date of transfer, if any, as well as all contributions made into the defined benefit plan since date of election.

The VMERS Plan had a total of 543 participants and \$12,001,312 in assets as of 1/31/07. The growth of the plan since inception is as follows:

<u>Calendar Year</u>	<u>Number of Participants</u>	<u>Assets</u>
2002	434	\$ 4,893,656
2003	457	6,863,979
2004	506	8,568,700
2005	527	9,995,290
2006	543	11,857,471

### **2.1.2 Contributions**

***Employee-Mandatory***

STATE OF VERMONT PLAN: An exempt employee electing to participate in the defined contribution plan is required to make a pre-tax contribution amounting to 2.85% of total pay. This contribution is deemed to be “picked up” by the State under Section 414(h)(2) of the Internal Revenue Code and therefore is not taxable to the employee until distributed.

VMERS PLAN: An employee electing to participate in the defined contribution plan is required to make a pre-tax contribution amounting to 5% of earnable compensation. This contribution is deemed to be “picked up” by the municipality under Section 414(h)(2) of the Internal Revenue Code and therefore is not taxable to the employee until distributed.

***Employer Basic***

STATE OF VERMONT PLAN: The State makes a contribution to the plan on behalf of each participant of 7% of total pay.

VMERS PLAN: Each participating municipality makes a contribution to the plan on behalf of each participant of 5% of total compensation.

***Frequency***

STATE OF VERMONT PLAN: Contributions are made as of the close of each bi-weekly pay period. There are 26 contributions per year. The State has one payroll system through which contributions are deducted and all employees are paid on the same date.

VMERS PLAN: Contributions are made as of the close of each bi-weekly pay period. There are 26 contributions per year. Participating municipalities provide bi-weekly Web based reports to the Retirement Division where they are audited for accuracy and completeness. The reports and corresponding employee and employer contributions are then remitted to the record keeper. The bi-weekly pay periods are staggered between the State and municipal plans.

***Administrative Expenses***

Under both plans, it is important for a vendor to be able to bill directly for administrative expenses or, as an alternative, be able to deduct administrative expenses from participant accounts.

***Voluntary Employee Salary Deferrals***

The State makes available to all its employees, including the exempt employees eligible for the defined contribution plan, an IRC Section 457 plan. Information describing that plan may be found at the following Web site: <http://www.vermonttreasurer.gov/retirement/state/index.html>.

Many municipalities also offer the State 457 plan, while others offer 457 plans through separately contracted vendors.

***2.1.3 Vesting***

STATE OF VERMONT PLAN: Participants will always be 100% vested in their contribution. Employer contributions will be subject to a one-year-and-eleven-month-cliff vesting schedule. Service for vesting purposes will be credited based on each pay period for which an employer contribution is

made. The participant will be 100% vested after he/she has made fifty bi-weekly contributions. The bidder should indicate in their response the ability to calculate vesting for employees under this schedule.

VMERS PLAN: Participants will always be 100% vested in their contribution. Employer contributions will be subject to a one-year-cliff vesting schedule. The participant will be 100% vested after twelve months of qualifying service.

Alternatively, both plans will consider the adoption of an elapsed time or other method of calculating service for vesting purposes. If the bidder is unable to calculate vesting under the contribution credit method described above, indicate in your response your ability to calculate vesting using elapsed time and your methodology.

Under both plans, non-vested participants who withdraw from the plan will forfeit the employers' contribution. The forfeited money will be remitted back to the Plan Sponsor on a monthly basis by the bidder.

#### **2.1.4 Additional Plan Features**

The plans do not permit employees to make in-service or hardship withdrawals from the Plan.

The plans rely on the plan administrative, recordkeeping and investment service provider to provide payouts under the plan. The employees have a full range of payout options available under 401(a) plans, including annuities, from which to choose. The majority of current participants take either a systematic or sporadic distribution of their funds upon retirement.

## **2.2 Participant and Board Communication Services**

Both plans recognize the importance of clear, comprehensive and impartial communication so that employees can make a fully informed choice regarding which plan they should participate in. Each new employee should be provided a written summary of the basic differences between a DB and a DC plan, as well as a side-by-side comparison of the DB and DC plan he/she is being offered and a comprehensive list and description of the investment vehicles that are offered through the defined contribution plan. In addition, the bidder's Web site should have similar information available that may be accessed both during the decision-making process and after an election has been made. Investment strategy workshops and investment education meetings may be required on a sporadic basis.

State Retirement staff conducts the election and enrollment process for new State exempt employees and VMERS employees when newly hired or first offered the defined contribution plan. However, the vendor hired as the result of this RFP will be required to prepare a communications program and other necessary materials to assist the State staff in the on-going election process. The bidder selected to provide these services will be required to provide, at a minimum, written materials as stated above and a computer software modeling program for the State's use. It should be noted that such software should be able to be interface with the State's Web site. The selected bidder will be responsible for maintaining and updating the software modeling program as needed.

On-going communication to eligible municipalities is an important goal in order to continue to expand the Vermont Municipal Employees' Retirement System's defined contribution plan. It is expected that the selected bidder will provide an annual report of outreach activities and a plan for the coming year to attain the system's goal.

**2.1.1 State and Participant Reports**

The selected bidder will be required to provide monthly Trial Balance Reports that will include, at a minimum, the beginning balance of the total fund for each DC plan, the contributions received during the month, disbursements made, and the investment earnings at the close of the month. The reports will be based on the market value as of the last business day of each month. The Trial Balance reports will be delivered not later than twenty (20) days after the end of each month in the absence of unusual circumstances.

The selected bidder will also be required to prepare, reconcile and deliver Quarterly Administrative Reports for each plan for review by staff and Board members. Each respective quarterly report must include plan assets under management, asset allocation by fund and comparative asset allocation, contribution allocations, contributions by source, participant overview and participant balance by fund over a rolling four quarters, number of funds per participant, single fund balances by age, asset distribution by age, average participant balance by age, participant account activity by type, distribution activity, voice response and Web site activity, major market indices and individual fund performance. The reports will be delivered not later than twenty (20) days after the end of each quarter in the absence of unusual circumstances. The selected bidder must present a report to the full Vermont Municipal Employees’ Retirement Board during a scheduled meeting at least once each year.

The selected bidder will be responsible for preparing and mailing via first class to each participant a quarterly detailed participant statement reflecting all activity for the period. Statements will be mailed no later than twenty (20) calendar days after each quarter end. The selected bidder should also have the capacity to offer on-line statements as an alternative to paper statements for those participants who so elect.

Supplemental services may be required by either plan on an as-needed basis. Please include an hourly rate for such assistance in your COST PROPOSAL.

**2.3 Administrative, Recordkeeping and Investment Management Services**

The State and the VMERS is interested in contracting with a company that can provide complete investment management and administrative support services for its defined contribution plans. Regarding the fees assessed, the State and the VMERS wish to avoid rear-end loads, charges, or penalties and to keep fees for services as reasonable as possible.

**2.3.1 Summary of Activities and Responsibilities**

The list below defines who will be responsible for many of the key functions in areas of administration, recordkeeping and distribution process:

<u>Activity</u>	<u>VT Treasurer’s Responsibility</u>	<u>Selected Bidder Responsibility</u>
<u>ENROLLMENT</u>		
Enrollment Packets and Informational Materials	X	X
Initial Enrollment Comparison	X	X

<u>Activity</u>	<u>VT Treasurer's Responsibility</u>	<u>Selected Bidder Responsibility</u>
Initial Member Election	X	
Initial Member Record Set Up	X	X
Transfers from DB to DC Plan	X	X
Initial New Member Investment Program Allocation		X
Track Rehires and Reenrollments	X	X
<u>CONTRIBUTION PROCESSING</u>		
Bi-Weekly Deposits of Contributions	X	X
Investment Program		X
Custody of Assets		X
Future Contribution Changes	X	X
Allocation Changes Requested by Members		X
<u>RECORDKEEPING</u>		
Individual Accounts for Each Participant	X	X
Track Vesting Date for each Participant		X
Track Employee and Employer Contributions Plus Pre and Post Tax Contributions	X	X
Beneficiary Data		X
<u>DISTRIBUTIONS</u>		
Distribution Review and Approval	X	
Disbursement Calculation and Allocation for Vested and Non-vested Accounts		X
Stale-dated Checks		X
Distribution Options		X
Annuity Options		X

<u>Activity</u>	<u>VT Treasurer's Responsibility</u>	<u>Selected Bidder Responsibility</u>
Federal and State Tax Withholdings		X
1099R Tax Reporting		X
70 ½ Minimum Required Distributions (MRD)		X
Survivor Benefits		X

### ***2.3.2 Participant Services***

The selected bidder must staff a toll-free customer service line that will provide benefit service representatives for both plans. The benefit service representatives must be able to answer all participant questions about the defined contribution plans, their features and operations received in writing or over the telephone. This would include providing information on the investments offered and their performance. The representatives must be able to assist employees in all areas of their defined contribution plan participation including making investment election changes or transfers, obtaining account balance information and initiating benefit payments. An (800) telephone number must be available 24 hours a day, with voice response capabilities being a desirable service, but not mandatory. An adequate number of participant service representatives must also be available to provide service over the telephone during reasonable hours. Please note; it is required that service representatives must be available to provide services to members without touch-tone telephone service.

In addition the selected bidder shall maintain a full-service secured, web site available to members and staff of the Treasurer's Office to provide the same functionality available by telephone.

The selected bidder will be responsible for preparing all basic plan administrative and communications materials. This would include, at a minimum, enrollment/application forms, payment method election forms and all other forms necessary for the operation of the plans. In addition, there must be separate brochures describing the plans and their investment options. Software modeling programs must be developed and made available to the Retirement Division for both plans that would allow staff to prepare a projection of benefits under both the applicable DB and DC plans to new hires to assist them in making an informed choice between the two plans. On-going maintenance and updates of the programs will be the responsibility of the selected bidder.

### ***2.3.3 Recordkeeping***

The selected bidder will be required to maintain records associated with a participant's account including, but not limited to, beneficiary, address, investment election and account balance information, including contributions, earnings, administrative costs, if any, and any other information necessary for the proper administration of a participant's account.

The services required by the State and the VMERS include processing the deposits of the bi-weekly participant contributions to their accounts according to the investment election currently on record with the selected bidder. At the end of each respective pay period, the State and the VMERS will provide a listing of participants and their contributions to the selected bidder and the next business day will wire the contribution to the provider. Contributions must be credited to participant accounts the day of receipt of the wire.

The selected bidder will also be required to make changes to investment elections and effect transfers of existing account balances. The selected bidder will be responsible for mailing confirmations to participants of all transactions initiated via Contractor Telephone Service within three (3) calendar days of the transaction. Daily audit and reconciliation of participant accounts is required.

### 2.3.4 Distributions

At a minimum, the selected bidder will be required to provide a Certified Financial Advisor with at least 3 years of experience to assist employees who are terminating employment or retiring, to elect whether they wish to take distribution from the plans and what form the distribution will take, and to make a direct rollover to an IRA or other qualified plan, if the participant so elects. The selected bidder must provide a range of payout options that may be selected by these participants, including lump sums, systematic withdrawals and annuity payments. The selected bidder must handle all tax withholding and reporting and required notices.

### 2.3.5 Investment Options

The State currently offers participants in its defined contribution plan fund investment options in 8 asset classes. Investment classes and fund options offered by the State Plan were based upon a comprehensive review by an external consultant in 2004. Based on this review and the desire to be able to map current fund options to any new proposed choices, the State prefers to maintain the current asset class and fund style offerings. The Municipal Plan currently offers participants in its defined contribution plan fund investment choices in 11 asset classes. Proposals for the Municipal Plan may incorporate 8 to 11 asset classes as recommended by the bidder.

Current asset classes and investment options for the State Plan and the Municipal Plan are as follows:

<u>Asset Class</u>	<u>Fund Option</u>	<u>Offered by State Plan, Municipal Plan</u>	<u>Fund Exp. Ratio (%)</u>
Life Cycle (Age Based)	Fidelity Freedom 2000	S,M	0.52%
	Fidelity Freedom 2005	S	0.62
	Fidelity Freedom 2010	S,M	0.62
	Fidelity Freedom 2015	S	0.67
	Fidelity Freedom 2020	S,M	0.70
	Fidelity Freedom 2025	S	0.72
	Fidelity Freedom 2030	S,M	0.74
	Fidelity Freedom 2035	S	0.75
	Fidelity Freedom 2040	S,M	0.76
	Fidelity Freedom Income	S	0.51
Stable Value	Fidelity Managed Income	S,M	na
Bond	PIMCO Total Return (Adm Class)	S,M	0.68%
	Fidelity Government Income	M	0.45
Balanced/Hybrid	Fidelity Puritan	M	0.62
	American Balanced (R4 Class)	S	0.63
<u>Domestic Equity</u>			
Large Value	Fidelity Equity Income	S, M	0.69

<u>Asset Class</u>	<u>Fund Option</u>	<u>Offered by State Plan, Municipal Plan</u>	<u>Fund Exp. Ratio (%)</u>
Large Blend	Domini Social Equity	S,M	0.95
	Fidelity Fund	M	0.60
	Fidelity Dividend Growth	S, M	0.61
	Spartan U.S. Eq. Index (Inv class)	S,M	0.10
Mid-cap Blend	Fidelity Low Priced Stock	S,M	0.85
	Spartan Ext. Mkt. Index (Inv class)	S	
Large Growth	Fidelity Blue Chip Growth	M	0.64
Mid-cap Growth	Fidelity Aggressive Growth	M	0.79
Small-cap Growth	MSIF Small Co. Growth (Class B)	M	1.29
International	Fidelity Diversified International	S,M	1.06

Lists of State and Municipal Plans Fund Offerings and Performance Updates as of March 31, 2007, are included in this RFP as Appendices A and B.

Proposals are expected to offer investment options with characteristics similar to the above including locus of investments, risk profile, benchmark and peer group. Proposed funds will be evaluated on the basis of historical performance relative to benchmark and peer group, expense ratio, fund size, and stability of the fund's portfolio management and parent organization, among other factors.

### **2.3.6 Plan Compliance**

The bidder selected to provide these services will be responsible for various plan compliance issues. The State and the VMERS plans have existing plan documents, but may require periodic assistance in updating or amending the documents as needed. In addition, a representative of the selected bidder must be available to attend periodic plan administrative committee meetings and be prepared to report on the current status of the plans and their activities as handled by the selected bidder. At a minimum, the selected bidder will be required to produce and mail quarterly reports of plan activity and updates to the two Plan Sponsors.

The selected bidder will also be required to provide trust services for plan assets.

### **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. Pursuant to Title 1 § 317 (15), public records requests for information regarding this RFP will not be acted upon pending contract negotiations, and until a signed contract has been recorded by the State.

##### ***3.1.3 Member Confidentiality***

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

##### ***3.1.4 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 include all expenses. There may be no best and final offer procedure. Therefore, the proposal shall be submitted on the most favorable terms that the bidder can provide.

##### ***3.1.5 Subcontracting***

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

**3.1.6 Doing Business in Vermont**

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

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), which is required to execute after the specific details of the transaction have been inserted. Any objection, or requested changes to the standard form language must be provided with the bid, or they shall be waived by the bidder.

**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](http://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 the State.

**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 "State of Vermont DC Plan Administration RFP" in the subject line.

Response to questions will be posted to our Web site at <http://www.vermonttreasurer.gov/> as described in Sections 1.5 and 1.6. 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 should also list any potential conflicts of interest including an explanation.

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 must be packaged separately from Technical Proposals and sealed in a separate envelope, so labeled. Bidders must submit seven (7) bound copies of their technical proposal and cost proposal, each packaged separately.

The information in the table provided below must appear on the title page of each copy of each proposal, 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:	State of Vermont Defined Contribution Plans
RFP section:	Technical or Cost
<b><i>Closing date and time for submission of proposals: June 21, 2007, 2:00 pm.</i></b>	
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 five 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	Bidder References
Part IV (to be packaged separately)	Cost

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

## **4.2 Bidder's Proposal 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 Defined Contribution Investment, Administration and Recordkeeping 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 in this RFP.
- The bidder has submitted financial information. Publicly owned businesses agree to provide their most recent annual report, current balance and income statement, and D&B report. Privately owned businesses agree to provide company financials. Proprietary and/or confidential materials must be marked accordingly.

#### **4.2.2 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**

***In providing your responses to the questions below, you should restate each question in bold face type with your response directly below. Your proposal, and consequently your responses to the following questions, will be incorporated as part of the contract between your company and the State and your company and the VMERS.***

#### **4.3.1 General**

1. Fully identify exceptions to the terms and conditions outlined in this RFP. If you are unable to provide any of the specific services outlined in the scope of services for which you are bidding, fully identify them. Affirmatively confirm that your company meets the applicable minimum criteria indicated in this RFP.
2. State the name and address of your company. Provide the name, title, address and telephone and fax numbers of the contact person from your company whom the consultant should contact with questions regarding your response.
3. Give a brief history of your company.
  - a. Supply audited financial statements for the three most recently closed fiscal years.
  - b. Indicate your firm's fiduciary classification: bank, insurance company, registered investment advisor, fiduciary affiliate, other (specify).
  - c. Indicate the month and year of SEC 1940 Investment Company Act registration and the month and year of commencement of providing subject services to clients.
4. If your company is a subsidiary or affiliate of another company, please give full disclosure of all direct or indirect ownership and type of relationship with affiliate companies and disclose joint ventures. If your firm is a subsidiary or an affiliate, please disclose the percentage of consolidated revenues generated by your firm. Also, describe the ownership of the firm including: percent owned by current active employees and number of employees participating in ownership.
5. Disclose the percent of total revenue derived from providing the type of services solicited herein (administration of contributory, participant-directed retirement plans) and the percent of revenues derived from each other principal business.
6. If the package of services being quoted is provided under a joint venture arrangement, describe the arrangement, its terms and conditions and whether your company and the other companies have been involved in similar joint ventures in the past.
7. Please provide an organizational chart for:
  - a. professional staff; and
  - b. corporate organization including parent, subsidiaries, affiliates, joint ventures and sub-advisories.

8. Provide the location and functions of each of your firm's offices (please exclude pure sales/branch offices) in the following format:

<u>Location</u>	<u>Function(s)</u>	<u>No. of Professionals</u>
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9. Indicate whether any services will be subcontracted to another company and fully describe these services and the stability, background and qualifications of the company that will provide the services, including that company's audited financial statements for the last 3 years.
10. Describe any pending agreements to merge or sell your company or any near term changes to the firm's corporate or organizational structure.
11. Describe the levels (dollar amounts) of coverage for SEC required (17g-1) fidelity bonds, errors and omissions coverage and any other fiduciary coverage which your firm carries. List the insurance carriers supplying the coverage.
12. Discuss the overall business objectives of your firm with respect to future growth. Please comment on any present planned areas of emphasis in the near future, and on any areas of planned contraction.
13. Provide a detailed summary of your firm's compliance process. Does your firm maintain a code of ethics? If so, please attach to your response.
14. Please provide a detailed summary of your firm's internal control structure. Does the firm conduct periodic risk assessments? Provide a copy of your firm's ADV parts I and II and SAS 70 if applicable, or other internal control review documentation (preferably prepared by a third party).
15. Describe your business continuity/disaster recovery systems including:
- Type of back-up facility for all primary systems used in providing the subject services to the State;
  - If back-up systems are provided by a third party, state the contractual guarantees for their services;
  - In the event of a disaster that disables all primary and back-up systems, state whether your firm has a recovery capability;
  - Describe the length of time and the procedures used to recreate one day's activity;
  - Describe plans in place to ensure communications with clients in the event of a disaster;
  - State how often the disaster recovery plan is tested and if there is an annual report; describe the results or include a copy of findings; and
  - During the last three tests, state how long it took to switch over to the recovery site and include test dates.
16. Has your company ever filed a petition for or has your company been petitioned into bankruptcy or insolvency, or has your company ever made any assignment for the benefit of your creditors? If so, provide complete details.
17. Has your company been involved in litigation in the last five years or is there any pending litigation arising out of your performance or participation in a defined contribution plan? If so, describe. Exclude routine interpleader actions, garnishments and similar routine matters involving participants and beneficiaries that do not reflect on your performance of your contract.

18. Has your company been cited or threatened with citation within the last five years by any federal or any state regulators for violations of any state or federal law and impending regulations? If your answer is yes, describe fully.
19. In the last five years, has your company had a contract terminated by a client for cause? If so, by whom and under what circumstances? Provide the name and telephone number of each client that has terminated your company's services.
20. In the last five years, has your company had a contract non-renewed by a client? If so, by whom? Provide the name and telephone number of each client that has non-renewed your company's services.
21. Is your company licensed to conduct business in the State of Vermont? If not, attach an opinion of counsel giving his or her opinion as to whether he or she anticipates any difficulties in obtaining all necessary licenses prior to the effective date of the contract. Do all your products and services comply with all federal and State of Vermont regulations? If not, specify. Is your company licensed in all states? If not, specify what states your company is not licensed to conduct business in.
22. In the past five years, has your company been denied a license to do business, a license as an agent or broker, or any other insurance license? If so, state the date of the denial, the license denied, the state in which the license was denied, the reason given for denial of the license, whether your company has had a bona fide change of ownership or management since your company license was denied, and whether your company has eliminated the cause for which the license was denied.
23. In the past five years, has your company had a license to do business, an agent/broker license, or any other insurance license revoked or suspended? Has your company ever been reprimanded by a licensing agency? If so, describe fully.
24. From what location would these accounts be serviced?
25. Who would be the State's day-to-day contact?
26. Provide the names and biographies of key staff who would be assigned to the State's and VMERS' accounts.
27. For how many clients does your company currently provide the requested services? As of 12/31/06 provide the following information:

<b>Plan Size</b>	<b>All Defined Contribution Plans<sup>1</sup></b>	<b>All Governmental Defined Contribution Plans</b>	<b>Governmental 401(a) Plans</b>
Under 100 participants			
100-500 participants			
500-999 participants			
1000 to 4,999 participants			
Above 5,000 participants			
<b>Total</b>			

<sup>1</sup> Defined contribution includes 457, 403(b) and 401(k) plans.

#### **4.3.2 Participant Communication Services**

1. Describe five recent situations in which your company has conducted the participant communication of a defined contribution plan as a replacement or supplement to a defined benefit plan. Fully describe the communications approach and methods used.
2. Fully describe how your company intends to educate employees regarding all aspects of the plans and present all necessary information in an accurate and clear manner and fully disclose to each employee all costs and plan features, both positive and negative, so that each employee may determine whether he or she should elect the defined benefit or the defined contribution plan.
3. Describe what materials you would provide and how you would train State employees to conduct elections and enrollments. Provide relevant samples of all materials, including training and resource manuals. Indicate what software you would provide or license to the State. Describe its capabilities as well as the computer hardware that the State would need. Describe any licensing requirements you would impose.

#### **4.3.3 Recordkeeping Services**

1. Describe your company's recordkeeping system:
  - a) How long has your system been in existence?
  - b) Was the system initially purchased from an outside vendor? If so, from whom?
  - c) If your system was not purchased, when was it first put into place and last updated?
2. Does your organization charge clients for system modifications required by legislative changes?
3. Can your recordkeeping system separately maintain a split of employee required contributions and employer basic contributions? Describe your procedures and requirements.
4. Can the system monitor §415 limits? Describe.
5. Does the system accommodate federal and state tax calculations (as appropriate)? Can it prepare a report detailing all necessary information regarding direct rollovers?
6. Can you prepare Form 1099s? If not, how do you propose to complete this process?
7. Describe the reports that are furnished to the plan sponsor and participants. To what extent can these reports be customized? Provide sample reports, including participant statements.
8. Do you require contribution and employee data to be in a standard format? What disruptions/delays result from special requests/formats?
9. Can your system calculate employer contributions under an employer contribution plan formula if the proper information is supplied?

10. Can your system calculate vesting? Describe any limitations. Can you provide administration for the proposed vesting schedule described? If not, describe under what alternatives your company can calculate vesting.
11. Please describe the edits your system will perform on contribution data.
12. What controls are in place to ensure that the plan is administered according to the plan provisions?
13. Do you foresee any specific problems incorporating the State’s or the VMERS’ plans into your recordkeeping system? If so, describe in detail.

**4.3.4 Administration**

1. Which of these administrative services do you provide? Please describe your services in detail, including the hours the service is available, the type of transactions that can be initiated using the service, and the number of plans currently using the service.
  - a) Voice response system
  - b) On-line capabilities
  - c) Live operators
2. “800” Telephone Access/Web Based
  - a) Do you provide an “800” telephone access number to plan participants? If so, how long has the “800” number been operational?
  - b) Does the “800” number utilize a voice response system or a human operator?
  - c) What days/hours is an operator available (Eastern Time)?
  - d) What days/hours is the voice response system available (Eastern Time)?
  - e) How many defined contribution plans use your “800” number voice response and Web capabilities? How many participants does this represent?
  - f) Would the following functions be considered standard or additional add-on features to your telephone access and Web based service?

- (1) Information, e.g., plan provisions
- (2) Investment fund information and performance
- (3) Account balances
- (4) Current participant information
- (5) Change of address or status
- (6) Change of contribution rate
- (7) Reallocation of existing account balances
- (8) Withdrawals/disbursements
- (9) PIN code change
- (10) Beneficiary designation

Phone		Web	
Standard	Add On	Standard	Add-On

(11) Confirmation letter of any change

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3. How are personal identification numbers (PINs) handled? What other security measures are taken to ensure proper access to participant information?
4. Provide representative samples of employee aids for using your voice response system (i.e., brochures, maps, or other materials).
5. What controls are in place to ensure that participant transactions are in accordance with the plan provisions?
6. Will you accept participant forms to enact changes? If not, in what format do you require that this information be provided?
7. When will participant statements be mailed following each period end date? Provide a sample statement and indicate whether you would customize for the State. Provide your company's statement accuracy percentage, i.e., the percentage of statements that are not mailed on the normal mail date because of an unresolved discrepancy.
8. Describe your procedures for identifying and calculating age 70½ minimum distributions.
9. What participant investment education will be made available to the State? If so, please state any additional cost in the separate cost proposal. Also please provide samples of all employee communications materials you have available.
10. Upon receipt of plan contributions, how quickly would monies be allocated to and invested in the investment funds? Provide a timeline of contribution processing and the requirements that you will impose on the State. Provide the same information for participant elections for transfers of funds between available investment options.
11. Check Disbursement Process:
  - a) Describe, including turnaround time, check preparation, cut-off dates, etc.
  - b) Will you accept verbal instructions? If yes, do written instructions need to follow?
12. List and describe your package's payout options. Provide the actual and guaranteed purchase rates per \$1,000 for the following payment option on December 31, 2002, 2003 2004, 2005 and 2006. Provide purchase rates for a participant age 50, 55, 60, 62 and 65. For joint and survivor payment options assume that the spouse is the same age. Unisex rates are required.
  - a) Life only
  - b) Life and 10 years certain
  - c) 50% joint and survivor

Provide samples of descriptive payout option communication pieces that you would provide.
13. Briefly describe the plan level reports available for this account, and provide a sample of each.
14. How quickly after the close of the month are reports provided?

15. Describe the trustee services you will provide to the plan. Indicate whether these are full or directed trustee services. In your PRICE PROPOSAL, indicate the cost savings if your company provided directed trustee custodial services instead of full trustee services.

#### **4.3.5 Investment Management Services**

1. List the funds that you would provide for each plan (State and Municipal) based on asset categories and fund options currently offered.
2. If desired, you may also suggest alternative fund lineups for each plan. List the funds you propose under this alternative, their investment categories and describe why a fund of that type should be offered.
3. For each fund listed in numbers 1 and 2, supply the following information:
  - a. What was the fund's market value at December 31, 2004, 2005 and 2006?
  - b. Are daily valuations and daily transactions (e.g., investment transfers) available through the administrative and recordkeeping services?
  - c. Indicate those individuals who have managed the fund during the last ten years, the month/year that each left the fund, why each left, and a biography of the current manager(s).
  - d. Indicate the expense ratio or fee schedule for the fund, allocating the total fee to investment management, 12(B)1 fee, and all other. Indicate the total revenue sharing receivable by a plan administrator for each fund (in percent).
  - e. Describe any front-end or deferred sales charges associated with the fund. Are there any conditions under which these charges may be waived?
  - f. Supply calendar quarter and calendar year time-weighted total rates of return for the five-year period ending December 31, 2006. Supply annualized returns for the following periods: one, three, five and 10 (if available) years ending December 31, 2006. Indicate whether these returns are gross or net of fees.
  - g. Supply peer group rankings based on a comprehensive and appropriate peer group. Include as you are able Lipper rankings, Morningstar ratings, and other third-party-related information. Please rank with respect to both performance and risk for the time periods above.
  - h. Please confirm that the fund is currently open for new investors, and state any size limitations that the fund might have that could close it to new investors in the future.
4. For each equity fund, as well as the equity portfolio of the balanced fund, supply the following information:
  - a. Is the fund generally fully invested at all times, i.e., do equity securities always account for at least 90% of the funds value? If not, please describe how the commitment to cash may vary over a market cycle.

b. Please provide the following statistics:

	As of December 31, 2006	Average 2005	Average 2004
P/E Ratio <sup>1</sup>			
P/B Ratio			
Dividend Yield			
Median/Weighted Average Market Cap			

<sup>1</sup> Indicate whether trailing or projected earnings

5. Describe your firm’s overall fund offerings:

- a. Please provide an appendix with all funds that would be available to Vermont DC Plans. If applicable, please group by proprietary funds versus external funds.
- b. Please group or otherwise indicate which funds could be accessed in the Plans without adjustment to proposed pricing terms, and which funds would require an adjustment.
- c. Please provide as detailed a description as feasible as to your firm’s overall pricing policy for use of the various groupings of funds in response to 5a. and 5b. above.
- d. Please describe any overall limitations on the:
  - total number of funds that the plan could offer without additional charges
  - any maximum number of outside funds; and
  - any maximum number of no-load funds.
- e. The State requires that enforcement of frequent trading provisions of mutual funds be administered by the plan administrator and the fund company. Please confirm your ability to perform such enforcement and to monitor fund trading violations.

6. Please describe the ability of the Plan Sponsor (Treasurer or Municipal Retirement System Board) to make changes in investment options. Include but do not necessarily limit answers to the following questions:

- a. May the Plan Sponsor make changes to the investment options?
- b. If answer to a., above, is yes, how often may changes be made and is there a fee? Please describe frequency of allowed investment option changes and fees, if any.
- c. Does the selection of different investment options cause any changes to fees payable to your firm as Plan Administrator? If so, please describe.
- d. Please describe the scope of the services provided for changes to investment options such as communication to plan participants of new investment options, remapping, timing, etc.
- e. Will your firm as Plan Administrator take full responsibility for implementation of investment options changes? Will your firm be financially responsible for any errors in implementing changes?

7. Please supply the following information for your stable value fund:

- a. Your policies for:
  - 1) Employee-initiated withdrawals
  - 2) Employer-initiated withdrawals

3) Inter-fund transfers

b. Asset allocation

Insurance Company General Account Assets	
(1) Traditional GIC	
(2) Indexed GIC	
Synthetic GICs	
(1) Insurance Company Separate Account	
(2) Other	
BICs	
STIF/Cash Equivalents	
Other	
	100%

c. For GIC or separate account products, provide the average credit quality of the portfolio and percentage in each investment grade as categorized by S&P and Moody’s. If your fund is a general account annuity product provide your company’s A.M. Best, S&P, Moody’s and Fitch IBCA ratings. For FDIC or FSLIC insured product confirm that your institution is well capitalized or adequately capitalized and able to accept brokered deposits. Describe and provide your company’s S&P, Moody’s, Sheshunoff, and Fitch IBCA ratings. Also provide the portfolio’s average maturity and duration as of December 31 for each of the last five years.

d. Liquidity management

1. Percentage of holdings in cash – normal range
2. Percentage of contracts with benefit responsive features
3. Percentage of contracts with one-year put options
4. Weighted average maturity – normal range

e. Does your product offer a contractually guaranteed long-term interest rate? If so, how long does it remain in force? Provide a complete history of your company’s actual interest crediting rates for the years ending December 31, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005 and 2006. The history should list actual interest credited as an effective annual yield for each year net of all asset based fees and charges. State the interest rate currently in effect and the date through which that rate is effective. This rate should be stated as an effective annual yield.

f. Describe your company’s interest crediting method. If other than the portfolio method, include above the effective annual yield credited for each band, cell, or investment year.

8. Operational Guidelines – Proprietary and Non-Proprietary Funds. Please define the following based on your proposed fund investment options:

- a. Timing and procedures for posting and implementing fund prices.
- b. Timing and procedures for confirmation of trading activity.
- c. Wire transfers between your company and funds for purchases and redemptions.
- d. Prospectus delivery – online versus print copies.

- e. Proxy transmission to plan participants. Confirm at no cost to State or participant.
  - f. Other communications describing funds. Describe content, online versus print copies, compliance issues, etc.
9. Both plans may from time to time require assistance in assessing alternative funds in current or new asset classes. Describe your firm's capabilities relating to fund analytics including:
- a. Performance and risk analytics
  - b. Analysis and due diligence on fund managers – firm and individuals
  - c. Use of internal and third party analytical resources
  - d. Ability to present fund analytics to State committees and Treasury Staff
  - e. Level of objectivity of fund analytics – can you survey, analyze and produce reports that include virtually all mutual funds with \$100 million or more assets under management and provide comprehensive peer group comparisons?
10. Please describe any restrictions on participant exchanges between funds in both your primary and alternate fund options lineups. Include any fees, time restrictions, absolute restrictions, etc.
11. Please state and describe the entity that will be custodian for plan assets. Please state which functions are performed by the custodian versus your firm as plan administrator relating to:
- b. Reporting and record keeping
  - c. Reconciliation of contributions and withdrawals
  - d. Daily portfolio pricing and accounting
  - e. Fund manager reconciliations
  - f. Performance analytics.

#### **4.3.6 Program options, Plan costs, and Plan performance**

1. **Program Options** - Proposals will be accepted for bundled administration plus investment options for each of the following:

- State Defined Contribution Plan Only
- Municipal Defined Contribution Plan Only
- Common provider for both the State DC Plan and the Municipal DC Plan

Bidders are encouraged to submit proposals for all three options. While we believe that there are cost efficiencies associated with a common provider for both DC plans, each plan is administered by a separate entity. Depending on the nature and quality of proposals received, it is possible that these two entities will elect to have separate contracts for their bundled plans (i.e., each may select their own vendor). We believe that there is also a strong possibility that a common provider for both plans will be selected.

#### **2. Plan Transition-In**

- a. Please describe your transition-in plan for participant records, plan level administrative records, contributions and redemptions capabilities, etc. Provide estimates for the length of time for the transition and for man hours required from Vermont Retirement Systems. Provide a draft transition plan.

- b. What steps does your firm take to insure the timeliness and accuracy of a DC plan transition? In the event of a transition that does not occur according to an agreed upon plan, will your firm take responsibility for any and all economic losses to participants and sponsor?
- c. Please describe your commitment to perform a transition of plan assets and administrator information to a new vendor in the event that the State elects to terminate its contract with your firm and engage a new administrator. Please advise of fees, if any, for a transition following a decision by the State to terminate services.

**3. Plan Transition-Out**

Describe the reverse of transition-in.

**4.4 Bidder’s Proposal Part III – Bidder References**

The bidder shall provide a minimum of three (3) client references of plans similar to those described in this RFP, to which you have acted as the bundled plan administrator and provided investment options. Fully describe the circumstances of your engagement and include the following:

- a) Company name
- b) Contact name and title
- c) Telephone number
- d) Number of participants
- e) Length of relationship

**4.5 Bidder’s Proposal Part IV – Cost/Performance Data**

See Attachment D, *Cost Matrix*

**4.5.1 Plan Costs/Performance Data**

Bidders are requested to complete the Plan Administration/ Investments Cost Matrix (Attachment D) for each of the above three program options. In completing this matrix, the following assumptions are to be made:

<u>Plan</u>	<u>#Participants</u>	<u>Total Plan Assets</u>
State	589	\$38.7 million
Municipal	543	\$12.0 million

Current fund options and assets under management for each fund option for the State and for the Municipal Plans are shown in Attachment C, *Plan Investment Assets*.

For each cost proposal, please remap each of the plans’ assets in existing fund options to fund options that you are proposing. Please list the proposed funds and the remapped assets in the first two columns of the Cost Matrix. For each DC Plan, and for the two DC plans combined, please complete the table and

provide totals where indicated. Please note that you may also list per participant fees (if any) and any other fees for administering the plans (if any) where shown, leading up to total fees at the bottom. If you are proposing an alternative fund line-up pursuant to Attachment C above, please complete a cost proposal for those funds as well.

For the proposed age-base fund (mapped from Fidelity Freedom Funds), please use a single fund appropriate for a 47-year-old participant, which is approximately the weighted average participant age between the State and Municipal Plans. Assume this single fund for cost purposes. For Proposed Plan Performance below, assume same age-based fund is utilized (i.e., do not assume passage of time changes the age-base fund).

Please describe how on an ongoing, regular basis your firm is prepared to disclose revenue or other fee-sharing arrangements to the State for both proprietary and external funds. The State expects this to occur quarterly. Please advise whether a plan pricing adjustment would be in order in the instance of 1) a change to the revenue sharing terms of a fund, or 2) substitution of a new fund for an existing fund.

**All bidders must respond to this question:**

In the event of a programmatic error in transition to new investment options, the company will be responsible for any loss to participants. Please confirm.

**4.5.2 Proposed Plan Performance**

For each option proposed, please provide a plan level, weighted average rate of return back-tested for 1, 3 and 5 years through December 31, 2006, encompassing investment fund expenses only (i.e., the weighted average returns of the proposed plan's remapped assets, the performance of which as mutual funds will be net of fund fees). For 3 and 5-year periods, please assume **annual** rebalancing NOTE that this will not be the only assessment of proposed investment options. Proposed plan back-tested performance is one criteria for review. The State will be evaluating the entire mix of funds and supportive services with the intent to select a company that best meets the needs of clients. Other information provided in response to this RFP will be very important. Bidders are thus encouraged to consider all characteristics of a proposed fund and **not** just performance. If possible, also include a volatility percent (standard deviation) for the 3 and 5-year periods based on monthly fund/plan standard deviations.

**4.5.3 Optional Cost Proposal**

The municipal plan currently involves 77 municipalities or essentially that number of plan 'sponsors' from a payroll point of view. At the current time, these payrolls are compiled in the State Treasurer's office and a single deposit is made for each pay period. Please propose in the context of 1) the Municipal Defined Contribution Plan only proposal and 2) the Common Provider for both the State DC Plan and the Municipal Plan proposal (two of the three options above) a cost proposal (including a proposal to perform this service for no additional charge if you are able) that would allow each municipality to contribute directly to the selected bidder. Please base this estimate on this number of municipalities, the current number of municipal participants, the current assets in the municipal plan, and other factors that you deem relevant. Please define any assumptions that you are making in providing this supplemental cost proposal. If provided, this supplemental cost proposal will be considered in the overall selection of the winning bidder(s) for this proposal.

**Additional Information:**

Please provide any additional information that may assist us in more clearly understanding your proposed fee. This might include any combination of discounts for award by more than one board.

**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.

The factors to be used by the Treasurer’s Office in evaluating the proposals will include, but are not limited to, the following:

Evaluation of Proposals
<p><b>A. RFP Understanding and Proposed Services</b>                      Reliability and Quality of Administrative and Recordkeeping Services                      Communications and Reporting Depth and Completeness                      Investment Options Performance, Quality, and Range                      Ease of Plan Use by State and Participants: day-to-day, and transitions                      Comprehensiveness of response to Scope of Services and Ability to Provide Requested Services</p>
<p><b>B. General Experience and Qualifications of Firm</b>                      Experience                      Assigned personnel                      References                      Any other resources assigned to State</p>
<p><b>C. Cost</b></p>

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 they agree that the prices quoted have been arrived at without collusion and that no prior information concerning these prices has been received from or given to a competitive company.

**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 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: \_\_\_\_\_

STATE OF VERMONT  
CONTRACT FOR 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 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 SERVICES**

**ATTACHMENT C  
STANDARD 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 SERVICES  
ATTACHMENT D**

**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**

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*

## ATTACHMENT B – CONFIDENTIALITY AGREEMENT

I, \_\_\_\_\_ (name), \_\_\_\_\_ (title), as legal representative of \_\_\_\_\_ (firm name) in order to submit a proposal for future services to the State of Vermont, do hereby acknowledge and agree to the following:

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

Signature: \_\_\_\_\_

Date: \_\_\_\_\_ day of \_\_\_\_\_, 2007.

**ATTACHMENT C – PLAN INVESTMENT ASSETS**

<u>Fund</u>	<u>State</u>	<u>Municipal</u>
Fidelity Managed Income Portfolio	\$5,042,169	\$1,594,519
Fidelity Blue Chip Growth	\$0	\$675,641
Spartan US Equity Index (Fidelity)	\$3,101,017	\$332,788
Fidelity Diversified Int'l	\$2,402,937	\$648,744
Fidelity Aggressive Growth	\$0	\$558,906
American Balanced R4	\$2,351,300	\$0
Fidelity Puritan	\$0	\$443,349
Fidelity Fund	\$0	\$325,607
Fidelity Dividend Growth	\$2,344,093	\$358,535
Domini Social Equity	\$2,015,584	\$218,357
Fidelity Government Income	\$0	\$156,429
PIMCO Total Return Admin.	\$1,977,299	\$94,410
Spartan Extended Market Index	\$1,850,142	\$0
Lord Abbett Small Cap Value A	\$1,610,918	\$0
Fidelity Equity Income	\$1,576,458	\$410,783
MSI Small Company Growth B	\$0	\$275,361
Fidelity Low Priced Stock	\$1,530,813	\$511,964
Fidelity Freedom Funds	<u>\$12,879,105</u>	<u>\$5,395,919</u>
	<u>\$38,681,835</u>	<u>\$12,001,312</u>

## ATTACHMENT D – COST MATRIX

Plan Administration/Investments Cost Matrix:  State Plan  Municipal Plan  Common Provider Both Plans

Please provide direct and indirect costs of plan administration and investments based on the following matrix:

<u>Fund &amp; Share Class</u>	<u>Post Mapping Assets \$ mil.</u>	<u>Fund Management Fees %</u>	<u>Fund 12b-fees%</u>	<u>Fund Other Fees</u>	<u>Total Fund Fees%</u>	<u>Total Fund fees \$ at PM Assets</u>	<u>Revenue Sharing %</u>	<u>Annual Revenue Sharing \$ at PM Assets</u>
Fund A								
Fund B								
Fund C etc.	_____					_____		_____
<b>TOTALS</b>	<b>\$XX.XX mil.</b>					<b>\$XXX,XXX.00</b>		<b>\$XXX,XXX.00</b>
Add total per participant fees (if any) assuming _____ participants								\$XXX,XXX.00
Add any other fees (if any; specify type)								<u>\$ XX,XXX.00</u>
Total fees based on _____ participants and post map assets								<u>\$XXX,XXX.00</u>

**APPENDIX A - VSERS PLAN PERFORMANCE SUMMARY**

**STATE OF VERMONT DEFINED CONTRIBUTION PENSION PLAN INVESTMENT OPTIONS**

**PERFORMANCE UPDATE**

**AS OF MARCH 31, 2007**

**UNDERSTANDING INVESTMENT PERFORMANCE**

*As you review this update, please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. To learn more or to obtain the most recent month-end performance, call Fidelity at 1-800-430-2363 or visit [www.fidelity.com](http://www.fidelity.com).*

Fund No.	Fund Name	Cumulative Total Returns % Period Ending March 31, 2007		Average Annual Total Returns % Period Ending March 31, 2007				Fund Inception	Short-Term Trading Fee (%/Days)	Expense Ratio
		3 Month	YTD	1 Year	5 Year	10 Year	Life of Fund			
<b>LIFE-CYCLE</b>										
00370	Fidelity Freedom 2000	1.52	1.52	6.64	4.79	6.97	6.87	10/17/96	n/a	0.00
01312	Fidelity Freedom 2005	1.98	1.98	8.27	n/a	n/a	7.94	11/06/03	n/a	0.00
00371	Fidelity Freedom 2010	1.85	1.85	8.17	6.68	8.52	8.39	10/17/96	n/a	0.00
01313	Fidelity Freedom 2015	2.05	2.05	8.58	n/a	n/a	9.37	11/06/03	n/a	0.00
00372	Fidelity Freedom 2020	2.00	2.00	8.95	7.66	9.00	8.90	10/17/96	n/a	0.00
01314	Fidelity Freedom 2025	2.11	2.11	9.10	n/a	n/a	10.82	11/06/03	n/a	0.00
00373	Fidelity Freedom 2030	2.06	2.06	9.40	7.99	8.95	8.84	10/17/96	n/a	0.00
01315	Fidelity Freedom 2035	2.20	2.20	9.51	n/a	n/a	11.84	11/06/03	n/a	0.00
00718	Fidelity Freedom 2040	2.11	2.11	9.68	8.13	n/a	1.88	9/06/00	n/a	0.00
01617	Fidelity Freedom 2045	2.05	2.05	n/a	n/a	n/a	n/a	6/01/06	n/a	0.00
01618	Fidelity Freedom 2050	2.14	2.14	n/a	n/a	n/a	n/a	6/01/06	n/a	0.00
00369	Fidelity Freedom Income	1.56	1.56	6.54	4.50	5.97	5.90	10/17/96	n/a	0.00
<b>STABLE VALUE OPTIONS</b>										
00632	Managed Income Portfolio	1.06	1.06	4.20	4.26	5.05	5.71	9/07/89	n/a	n/a
<b>BOND</b>										
99474	PIMCO Total Return - Administrative Class	1.64	1.64	6.06	5.48	6.81	7.10	9/08/94	2.00/7	0.68
<b>BALANCED/HYBRID</b>										
46581	American Balanced - R4 Class	0.69	0.69	9.48	n/a	n/a	8.57	6/21/02	n/a	0.65
<b>DOMESTIC EQUITY - LARGE VALUE</b>										
00023	Fidelity Equity-Income	1.06	1.06	15.08	8.14	9.26	13.10	5/16/66	n/a	0.68

Please see important disclosures on the last page(s).

continued



AS OF MARCH 31, 2007

Fund No.	Fund Name	Cumulative Total Returns % Period Ending March 31, 2007		Average Annual Total Returns % Period Ending March 31, 2007				Fund Inception	Short-Term Trading Fee (%/Days)	Expense Ratio↔
		3 Month	YTD	1 Year	5 Year	10 Year	Life of Fund			
<b>DOMESTIC EQUITY - LARGE BLEND</b>										
93967	Domini Social Equity	0.72	0.72	9.76	4.98	7.34	9.89	6/03/91	2.00/60	1.19
00330	Fidelity Dividend Growth	0.25	0.25	9.74	4.16	9.84	13.35	4/27/93	n/a	0.60
00650	Spartan® U.S. Equity Index - Investor Class	0.62	0.62	11.75	6.16	8.05	11.56	2/17/88	n/a	0.10
<b>DOMESTIC EQUITY - MID BLENDⓈ</b>										
00316	Fidelity Low-Priced Stock†	2.60	2.60	11.23	14.67	15.59	17.38	12/27/89	1.50/90	0.88
00398	Spartan® Extended Market Index - Investor Class	4.02	4.02	9.52	12.34	n/a	7.95	11/05/97	0.75/90	0.10
<b>DOMESTIC EQUITY - SMALL BLEND◆</b>										
46992	Lord Abbett Small-Cap Value - Class A	2.32	2.32	6.58	15.13	15.21	16.63	12/13/95	n/a	1.23
<b>INTERNATIONAL/GLOBAL††</b>										
00325	Fidelity Diversified International	3.09	3.09	15.18	17.41	13.22	12.48	12/27/91	1.00/30	1.01
<b>MARKET INDICES^^</b>										
For comparison only. These are not Fidelity funds.										
	Dow Jones Industrial Average	-0.33	-0.33	13.83	5.86	8.60				
	Lehman Brothers Intermediate Gov't/Credit Bond Index	1.59	1.59	6.14	4.91	5.99				
	MSCI EAFE® Index	4.10	4.10	20.38	16.02	8.53				
	Standard & Poor's 500™ Index	0.64	0.64	11.83	6.27	8.20				

Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. Life of fund figures are reported as of the inception date to the period indicated. The figures do not include the effects of sales charges, if any, as these charges are waived for contributions made through your company's employee benefit plan. If sales charges were included, returns would have been lower.

With the exception of domestic equity mutual funds, investment options have been assigned to investment categories based on Fidelity's analysis. Fidelity has verified the accuracy of the placement of certain third party non-mutual funds with either the plan sponsor or the plan sponsor's consultant. Within Domestic Equities, mutual funds are listed according to their actual Morningstar categories as of the date indicated. Morningstar categories are based on a fund's style as measured by its underlying portfolio holdings over the past 3 years and may change at any time. These style calculations do not represent the funds' objectives and do not predict the funds' future styles.

**SPECIFIC FUNDS**

Morningstar, Inc., provided data on the non-Fidelity mutual funds. Although the data is gathered from reliable sources, accuracy and completeness cannot be guaranteed by Morningstar.

- ↔ Expense Ratio is the total annual fund operating expense ratio from the fund's most recent prospectus. For a mutual fund, the expense ratio is the total annual fund or class operating expenses (before waivers or reimbursements) paid by the fund and stated as a percent of the fund's total net assets. Where the investment option is not a mutual fund, the figure displayed in the expense ratio field is intended to reflect similar information. However, it may have been calculated using methodologies that differ from those used for mutual funds. Mutual fund data has been drawn from the most recent prospectus. For non-mutual fund investment options, the information has been provided by the trustee or plan sponsor. When no ratio is shown for these options it is due to the fact that none was available. Nevertheless, there may be fees and expenses associated with the investment option.
- ☆ The Combined Total Expense Ratio reflects expense reimbursements and reductions and is based on the total operating expense ratio of the fund plus a weighted average of the total operating expense ratios of the underlying Fidelity funds in which it was invested. This ratio may be higher or lower depending on the allocation of the fund's assets among the underlying Fidelity funds and the actual expenses of the underlying Fidelity funds.  
 The Combined Total Expense Ratio for Freedom 2000 is 0.52%.  
 The Combined Total Expense Ratio for Freedom 2005 is 0.62%.  
 The Combined Total Expense Ratio for Freedom 2010 is 0.62%.  
 The Combined Total Expense Ratio for Freedom 2015 is 0.67%.  
 The Combined Total Expense Ratio for Freedom 2020 is 0.70%.  
 The Combined Total Expense Ratio for Freedom 2025 is 0.72%.  
 The Combined Total Expense Ratio for Freedom 2030 is 0.74%.  
 The Combined Total Expense Ratio for Freedom 2035 is 0.75%.  
 The Combined Total Expense Ratio for Freedom 2040 is 0.76%.  
 The Combined Total Expense Ratio for Freedom 2045 is 0.79%.  
 The Combined Total Expense Ratio for Freedom 2050 is 0.79%.  
 The Combined Total Expense Ratio for Freedom Income is 0.51%.
- ⇒ Managed Income Portfolio is not a mutual fund but is a commingled pool of the Fidelity Group Trust for Employee Benefit plans. It is managed by Fidelity Management Trust Company.
- † Effective July 30, 2004, the Fidelity Low-Priced Stock Fund was closed to new accounts. Participants who have a balance in Low-Priced Stock in their retirement plan account on or after that date will be able to continue making and changing contributions, and they will also be able to make exchanges into the Fund. Participants who do not have a balance in Low-Priced Stock in their retirement plan account on or after July 30, 2004, will not be able to make contributions or exchanges into the fund.

Please see important disclosures on the last page(s).

continued

AS OF MARCH 31, 2007

**INDICES**

^^ Performance of an index is not illustrative of any particular investment and an investment cannot be made directly in an index.

**Dow Jones Industrial Average (DJIA)**, published by Dow Jones and Company, is an unmanaged average of 30 actively traded stocks (primarily industrial) and assumes reinvestment of dividends. It is not offered as a comparison for any investment option but rather as a general stock market indicator.

**Lehman Brothers Intermediate Government/Credit Bond Index** is an unmanaged, market-value weighted index of government and investment-grade corporate fixed-rate debt issues with maturities between one and ten years.

**MSCI EAFE® Index (Morgan Stanley Capital International Europe, Australasia, Far East Index)** is an unmanaged index of over 1,000 foreign common stock prices and includes the reinvestment of dividends. The EAFE® Index is a registered service mark of Morgan Stanley and has been licensed for use by FMR Corp. The investment options offered through the plan are neither sponsored by nor affiliated with Morgan Stanley.

**The Standard & Poor's 500™ Index (S&P 500®)** is a registered service mark of the McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is an unmanaged index of the common stock prices of 500 widely held U.S. stocks.

**INVESTMENT RISK**

- ⇒ These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in high yield, small cap and foreign securities.
- ⊕ Investments in mid-sized companies may involve greater risks than those of larger, more well-known companies, but may be less volatile than investments in smaller companies.
- ◆ Investments in smaller companies may involve greater risks than those of larger, more well-known companies.
- †† Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation.

**Before investing in any investment option, please carefully consider the investment objectives, risks, charges and expenses. For this and other information, call Fidelity at 1-800-430-2363 or visit [www.fidelity.com](http://www.fidelity.com) for a free mutual fund prospectus or variable annuity prospectus. For information on fixed annuities, contact Fidelity to request a fact sheet. Read them carefully before you invest.**

**APPENDIX B - VMERS PLAN PERFORMANCE SUMMARY**

**VERMONT MUNICIPAL EMPLOYEES' RETIREMENT PLAN INVESTMENT OPTIONS**

**PERFORMANCE UPDATE**

AS OF MARCH 31, 2007

**UNDERSTANDING INVESTMENT PERFORMANCE**

*As you review this update, please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. To learn more or to obtain the most recent month-end performance, call Fidelity at 1-800-343-0860 or visit [www.fidelity.com](http://www.fidelity.com).*

Fund No.	Fund Name	Cumulative Total Returns % Period Ending March 31, 2007		Average Annual Total Returns % Period Ending March 31, 2007				Fund Inception	Short-Term Trading Fee (%/Days)	Expense Ratio
		3 Month	YTD	1 Year	5 Year	10 Year	Life of Fund			
<b>LIFE-CYCLE</b>										
00370	Fidelity Freedom 2000	1.52	1.52	6.64	4.79	6.97	6.87	10/17/96	n/a	0.00
01312	Fidelity Freedom 2005	1.98	1.98	8.27	n/a	n/a	7.94	11/06/03	n/a	0.00
00371	Fidelity Freedom 2010	1.85	1.85	8.17	6.68	8.52	8.39	10/17/96	n/a	0.00
01313	Fidelity Freedom 2015	2.05	2.05	8.58	n/a	n/a	9.37	11/06/03	n/a	0.00
00372	Fidelity Freedom 2020	2.00	2.00	8.95	7.66	9.00	8.90	10/17/96	n/a	0.00
01314	Fidelity Freedom 2025	2.11	2.11	9.10	n/a	n/a	10.82	11/06/03	n/a	0.00
00373	Fidelity Freedom 2030	2.06	2.06	9.40	7.99	8.95	8.84	10/17/96	n/a	0.00
01315	Fidelity Freedom 2035	2.20	2.20	9.51	n/a	n/a	11.84	11/06/03	n/a	0.00
00718	Fidelity Freedom 2040	2.11	2.11	9.68	8.13	n/a	1.88	9/06/00	n/a	0.00
01617	Fidelity Freedom 2045	2.05	2.05	n/a	n/a	n/a	n/a	6/01/06	n/a	0.00
01618	Fidelity Freedom 2050	2.14	2.14	n/a	n/a	n/a	n/a	6/01/06	n/a	0.00
00369	Fidelity Freedom Income	1.56	1.56	6.54	4.50	5.97	5.90	10/17/96	n/a	0.00
<b>STABLE VALUE OPTIONS</b>										
00632	Managed Income Portfolio	1.06	1.06	4.20	4.26	5.05	5.71	9/07/89	n/a	n/a
<b>BOND</b>										
00054	Fidelity Government Income	1.40	1.40	5.78	4.86	5.89	8.28	4/04/79	n/a	0.45
99474	PIMCO Total Return - Administrative Class	1.64	1.64	6.06	5.48	6.81	7.10	9/08/94	2.00/7	0.68
<b>BALANCED/HYBRID</b>										
00004	Fidelity Puritan	1.25	1.25	12.43	7.91	8.72	11.72	4/16/47	n/a	0.62
<b>DOMESTIC EQUITY - LARGE VALUE</b>										
00023	Fidelity Equity-Income	1.06	1.06	15.08	8.14	9.26	13.10	5/16/66	n/a	0.68

Please see important disclosures on the last page(s).

continued



**AS OF MARCH 31, 2007**

Fund No.	Fund Name	Cumulative Total Returns % Period Ending March 31, 2007		Average Annual Total Returns % Period Ending March 31, 2007				Fund Inception	Short-Term Trading Fee (%/Days)	Expense Ratio↕
		3 Month	YTD	1 Year	5 Year	10 Year	Life of Fund			
<b>DOMESTIC EQUITY - LARGE BLEND</b>										
93967	Domini Social Equity	0.72	0.72	9.76	4.98	7.34	9.89	6/03/91	2.00/60	1.19
00003	Fidelity	1.90	1.90	10.35	6.16	8.48	10.44	4/30/30	n/a	0.59
00330	Fidelity Dividend Growth	0.25	0.25	9.74	4.16	9.84	13.35	4/27/93	n/a	0.60
00650	Spartan® U.S. Equity Index - Investor Class	0.62	0.62	11.75	6.16	8.05	11.56	2/17/88	n/a	0.10
<b>DOMESTIC EQUITY - MID BLENDⓄ</b>										
00316	Fidelity Low-Priced Stock†	2.60	2.60	11.23	14.67	15.59	17.38	12/27/89	1.50/90	0.88
<b>DOMESTIC EQUITY - LARGE GROWTH</b>										
00312	Fidelity Blue Chip Growth	-0.61	-0.61	2.50	1.82	5.55	11.78	12/31/87	n/a	0.63
<b>DOMESTIC EQUITY - MID GROWTHⓄ</b>										
00324	Fidelity Aggressive Growth	2.48	2.48	4.97	3.48	3.92	10.10	12/28/90	1.50/90	0.77
<b>DOMESTIC EQUITY - SMALL GROWTH◆</b>										
93098	MSIF Small Company Growth - B Class	1.90	1.90	1.10	11.46	15.87	13.26	1/02/96	2.00/30	1.29
<b>INTERNATIONAL/GLOBAL††</b>										
00325	Fidelity Diversified International	3.09	3.09	15.18	17.41	13.22	12.48	12/27/91	1.00/30	1.01
<b>MARKET INDICES^^</b>										
For comparison only. These are not Fidelity funds.										
	Dow Jones Industrial Average	-0.33	-0.33	13.83	5.86	8.60				
	Lehman Brothers Intermediate Gov't/Credit Bond Index	1.59	1.59	6.14	4.91	5.99				
	MSCI EAFE® Index	4.10	4.10	20.38	16.02	8.53				
	Standard & Poor's 500™ Index	0.64	0.64	11.83	6.27	8.20				

Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. Life of fund figures are reported as of the inception date to the period indicated. The figures do not include the effects of sales charges, if any, as these charges are waived for contributions made through your company's employee benefit plan. If sales charges were included, returns would have been lower.

With the exception of domestic equity mutual funds, investment options have been assigned to investment categories based on Fidelity's analysis. Fidelity has verified the accuracy of the placement of certain third party non-mutual funds with either the plan sponsor or the plan sponsor's consultant. Within Domestic Equities, mutual funds are listed according to their actual Morningstar categories as of the date indicated. Morningstar categories are based on a fund's style as measured by its underlying portfolio holdings over the past 3 years and may change at any time. These style calculations do not represent the funds' objectives and do not predict the funds' future styles.

## AS OF MARCH 31, 2007

**SPECIFIC FUNDS**

Morningstar, Inc., provided data on the non-Fidelity mutual funds. Although the data is gathered from reliable sources, accuracy and completeness cannot be guaranteed by Morningstar.

- ◇ Expense Ratio is the total annual fund operating expense ratio from the fund's most recent prospectus. For a mutual fund, the expense ratio is the total annual fund or class operating expenses (before waivers or reimbursements) paid by the fund and stated as a percent of the fund's total net assets. Where the investment option is not a mutual fund, the figure displayed in the expense ratio field is intended to reflect similar information. However, it may have been calculated using methodologies that differ from those used for mutual funds. Mutual fund data has been drawn from the most recent prospectus. For non-mutual fund investment options, the information has been provided by the trustee or plan sponsor. When no ratio is shown for these options it is due to the fact that none was available. Nevertheless, there may be fees and expenses associated with the investment option.
- ☆ The Combined Total Expense Ratio reflects expense reimbursements and reductions and is based on the total operating expense ratio of the fund plus a weighted average of the total operating expense ratios of the underlying Fidelity funds in which it was invested. This ratio may be higher or lower depending on the allocation of the fund's assets among the underlying Fidelity funds and the actual expenses of the underlying Fidelity funds.
  - The Combined Total Expense Ratio for Freedom 2000 is 0.52%.
  - The Combined Total Expense Ratio for Freedom 2005 is 0.62%.
  - The Combined Total Expense Ratio for Freedom 2010 is 0.62%.
  - The Combined Total Expense Ratio for Freedom 2015 is 0.67%.
  - The Combined Total Expense Ratio for Freedom 2020 is 0.70%.
  - The Combined Total Expense Ratio for Freedom 2025 is 0.72%.
  - The Combined Total Expense Ratio for Freedom 2030 is 0.74%.
  - The Combined Total Expense Ratio for Freedom 2035 is 0.75%.
  - The Combined Total Expense Ratio for Freedom 2040 is 0.76%.
  - The Combined Total Expense Ratio for Freedom 2045 is 0.79%.
  - The Combined Total Expense Ratio for Freedom 2050 is 0.79%.
  - The Combined Total Expense Ratio for Freedom Income is 0.51%.
- ➔ Managed Income Portfolio is not a mutual fund but is a commingled pool of the Fidelity Group Trust for Employee Benefit plans. It is managed by Fidelity Management Trust Company.
- † Effective July 30, 2004, the Fidelity Low-Priced Stock Fund was closed to new accounts. Participants who have a balance in Low-Priced Stock in their retirement plan account on or after that date will be able to continue making and changing contributions, and they will also be able to make exchanges into the Fund. Participants who do not have a balance in Low-Priced Stock in their retirement plan account on or after July 30, 2004, will not be able to make contributions or exchanges into the fund.

**INDICES**

^^ Performance of an index is not illustrative of any particular investment and an investment cannot be made directly in an index.

**Dow Jones Industrial Average (DJIA)**, published by Dow Jones and Company, is an unmanaged average of 30 actively traded stocks (primarily industrial) and assumes reinvestment of dividends. It is not offered as a comparison for any investment option but rather as a general stock market indicator.

**Lehman Brothers Intermediate Government/Credit Bond Index** is an unmanaged, market-value weighted index of government and investment-grade corporate fixed-rate debt issues with maturities between one and ten years.

**MSCI EAFE® Index (Morgan Stanley Capital International Europe, Australasia, Far East Index)** is an unmanaged index of over 1,000 foreign common stock prices and includes the reinvestment of dividends. The EAFE® Index is a registered service mark of Morgan Stanley and has been licensed for use by FMR Corp. The investment options offered through the plan are neither sponsored by nor affiliated with Morgan Stanley.

**The Standard & Poor's 500™ Index (S&P 500®)** is a registered service mark of the McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is an unmanaged index of the common stock prices of 500 widely held U.S. stocks.

**INVESTMENT RISK**

- ➔ These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in high yield, small cap and foreign securities.
- ⊕ Investments in mid-sized companies may involve greater risks than those of larger, more well-known companies, but may be less volatile than investments in smaller companies.
- ◆ Investments in smaller companies may involve greater risks than those of larger, more well-known companies.
- †† Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation.

**Before investing in any investment option, please carefully consider the investment objectives, risks, charges and expenses. For this and other information, call Fidelity at 1-800-343-0860 or visit [www.fidelity.com](http://www.fidelity.com) for a free mutual fund prospectus or variable annuity prospectus. For information on fixed annuities, contact Fidelity to request a fact sheet. Read them carefully before you invest.**

**-END RFP-**