



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

109 State Street
MONTPELIER, VERMONT 05609-6200
802-828-2301
www.vermonttreasurer.gov

SEALED BID REQUEST FOR PROPOSAL

VERMONT PENSION INVESTMENT COMMITTEE INVESTMENT CONSULTANT

DATE: *March 8, 2010*

QUESTIONS DUE BY: *March 22, 2010*

DATE OF BID OPENING: *April 5, 2010*

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

LOCATION OF BID OPENING: 109 State Street, Montpelier, VT, 4th Floor

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

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

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



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SEALED BID INSTRUCTIONS

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

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

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

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



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DATE: **March 8, 2010**

REQUEST FOR PROPOSAL
THIS IS A SEALED BID RESPONSE
BIDS MUST BE RECEIVED BY **April 5, 2010, 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 (see 3.1.8 for minimum) 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 Pension Investment Committee (VPIC), acting on behalf of the Boards of Trustees of the Vermont State Employees' Retirement System, State Teachers' Retirement System of Vermont, and Vermont Municipal Employees' Retirement System, and the City of Burlington Vermont Employee Retirement System, through the Office of the State Treasurer, hereafter known collectively as the Vermont Retirement Systems (VRS) or the State, is seeking proposals from qualified firms to provide comprehensive full-retainer, general investment consulting advice and services.

The selected investment consulting firm will report to the VPIC. The selected firm will functionally work closely with the VPIC and staff of the Office of the State Treasurer. The selected firm will demonstrate extensive experience and superior capability for providing investment consulting services in a large public pension system.

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

Proposals in response to this RFP are due no later than 2:00 P.M. Eastern Time (ET) on April 5, 2010.

The VPIC is charged with oversight of the investments of a pooled pension fund for multiple retirement defined benefit systems plans (the State Teachers' Retirement System of Vermont, the Vermont State Employees' Retirement System, and the Vermont Municipal Employees' Retirement System and a portion of the assets of the City of Burlington retirement system.). The primary objective of the VPIC is the maximization of investment returns within acceptable levels of risk through a broadly diversified investment portfolio.

1.2 Minimum Bidder Qualifications

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

1. The bidder must provide full retainer investment consulting services to clients with aggregate assets totaling at least \$25 billion, with at least one for a public sector client with assets of at least \$1 billion, and demonstrate a minimum of five (5) years of experience in public pension fund consulting for similar size/type plans.

2. The primary consultant assigned to the Vermont accounts must have a minimum of five (5) years of experience providing investment consulting services to public pension fund plans. The primary consultant listed must be in attendance at required meetings as outlined in the "scope of services" section.

1.3 Plan Specifications

As of December 31, 2009, the pension funds had assets that totaled approximately \$2.95 billion, comprised of four (4) pension retirement systems as follows: Vermont Teachers Retirement System (VSTRS) with \$1.34 billion of assets, Vermont State Employees' Retirement System (VSERS) with \$1.18 billion, Vermont Municipal Employees' Retirement System (VMERS) with \$318 million, and the City of Burlington Employee Retirement System (BERS) with \$105 million. Vermont utilizes a master custodian, State Street Bank & Trust Company, to provide a variety of custody, record keeping, securities lending, and cash management services.

1.3.1 VERMONT PENSION INVESTMENT COMMITTEE PORTFOLIO

<u>December 31, 2009</u>	<u>Market Value</u>	
Large Cap Equity		Teachers' System Assets
Large Cap Equity Composite - Employees'	\$245,223,942	\$1,344,449,565
Large Cap Equity Composite - Teachers'	\$264,248,403	
Large Cap Equity Composite - Municipal	\$65,418,545	
Large Cap Equity Composite - Burlington	\$20,738,863	Employees' System Assets
<u>Managers:</u>		\$1,183,097,830
<i>T. Rowe</i>	\$235,462,590	
<i>PIMCO Stocks Plus</i>	\$236,984,732	
<i>SSgA</i>	\$123,182,431	
Small Cap Equity		Municipal System Assets
Small Cap Equity Composite - Employees'	\$109,969,281	\$318,402,061
Small Cap Equity Composite - Teachers'	\$118,277,321	
Small Cap Equity Composite - Municipal	\$28,541,899	
Small Cap Equity Composite - Burlington	\$9,642,120	Burlington Assets
<u>Managers:</u>		\$104,692,455
<i>SSgA 2500</i>	\$60,744,146	
<i>Champlain</i>	\$22,287,357	
<i>Wellington</i>	\$90,622,981	
<i>SSgA Russell 2000 Growth</i>	\$92,776,137	
International Equity		
International Equity Composite - Employees'	\$146,954,493	
International Equity Composite - Teachers'	\$165,563,120	
International Equity Composite - Municipal	\$38,792,149	
International Equity Composite - Burlington	\$13,056,107	

Managers:

Acadian \$178,399,326

Mondrian \$185,966,544

Emerging Market Equity

Manager:

Aberdeen \$132,153,801

Core Fixed Income

Core Fixed Income Comp. - Employees' \$206,057,992

Core Fixed Income Comp. - Teachers' \$237,402,891

Core Fixed Income Comp. - Municipal \$55,730,021

Core Fixed Income Comp. - Burlington \$18,367,213

Managers:

PIMCO Liquidation Account \$11,805,541

Oppenheimer Structured Alpha \$74,660,021

Wellington DAS \$70,753,768

PIMCO Core Plus \$360,338,786

High Yield Fixed Income

Managers:

Post Advisory \$133,671,946

KDP \$21,563,437

Global Fixed Income

Global FI Composite - Employees' \$90,049,132

Global FI Composite - Teachers' \$104,308,406

Global FI Composite - Municipal \$24,606,286

Global FI Composite - Burlington \$8,057,158

Managers:

Brandywine \$114,600,333

Mondrian \$112,420,649

Emerging Market Debt

Manager:

Wellington EMD \$56,780,489

TIPS

Managers:

Barclays TIPS \$83,405,993

Real Estate

Managers:

Morgan Stanley Prime Property \$48,398,867

UBS Trumbull \$49,153,813

<i>RREEF America REIT III</i>	\$17,373,127
<i>Transwestern / Aslan III</i>	\$1,171,768
<i>Real Estate Cash</i>	\$305,989
Private Investment	
<i>Managers:</i>	
<i>Pru & VVC</i>	\$2,846,850
<i>Vermont Investments</i>	\$1,461,107
<i>Alternative Investments</i>	\$1,176,417
Global Asset Allocation	
GAA Composite - Employees'	\$160,253,177
GAA Composite - Teachers'	\$182,348,943
GAA Composite - Municipal	\$42,802,793
GAA Composite - Burlington	\$13,989,240
<i>Managers:</i>	
<i>Mellon Global Alpha I</i>	\$101,044,569
<i>AQR Global Risk Premium</i>	\$73,203,163
<i>Pimco All Asset</i>	\$146,139,211
<i>Wellington OIF</i>	\$79,007,209
Cash	
Employees' Cash	\$344,038
Teachers' Cash	\$562,875
Municipal Cash	\$186,067
Burlington Cash	\$135,043

1.4 Single Point of Contact

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

Name: Ms. Donna Holden
 Title: Contract Administrator
 Vermont State Treasurer's Office
 109 State Street, 4th Floor
 Montpelier, Vermont 05609-6200
 Telephone: 802-828-3708
 FAX: 802-828-2772
 E-Mail: Donna.Holden@state.vt.us

All e-mail communication with Ms. Holden must include the words "Pension Investment Consultant RFP" in the subject line.

Bidders' proposals, due by 2:00 PM for bid opening on April 5, 2010, are to be delivered to the Office of the State Treasurer, marked to the attention of Ms. Donna Holden (see above).

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

1.5 RFP Timetable

RELEASE DATE OF RFP:	MARCH 8, 2010
QUESTIONS DUE BY:	MARCH 22, 2010
ANSWERS TO QUESTIONS POSTED ON www.vermonttreasurer.gov	MARCH 25, 2010
ALL PROPOSALS MUST BE SUBMITTED NO LATER THAN 2:00 P.M. Eastern Time ON:	APRIL 5, 2010

1.6 Attachments to RFP

The following information is provided as attachments to the RFP:

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

2 SCOPE OF SERVICES

The selected firm(s) will assist the VPIC by providing general investment consultant services in the ongoing process of investment policy development and implementation, including but not limited to, completion of asset liability studies, development and monitoring of the asset allocation plan, portfolio review, manager search and selection, ongoing manager oversight and due diligence, portfolio risk management, performance analysis and reporting, assist in the selection of other non investment managers such as custodians, compliance monitoring firms, and other contractors, assist in VPIC member education, and perform other consultant responsibilities as assigned.

It is expected that the State will select one general investment consultant, although the State reserves the right to select multiple firms. The State may select a separate firm for alternative investment consultation at its discretion or incorporate those services with the general investment consultant.

The selected firm will have a fiduciary obligation as an investment advisor and will owe a duty to the VPIC to exercise reasonable care in providing investment advice to the VPIC. The selected firm will be expected to acknowledge in writing the firm's fiduciary status, and in all cases, the firm and its consultants will offer its advice to the VPIC solely in the interest of the plan participants and beneficiaries of the Systems.

The selected investment-consulting firm will report to the VPIC.

The selected firm will functionally work closely with the VPIC and staff of the Office of the State Treasurer. That staff will include: State Treasurer, Deputy State Treasurer, Director of Investment and Debt management, and the Contract Administrator.

The selected firm will demonstrate extensive experience and superior capability for providing investment-consulting services in a large public pension system.

At a minimum, two consultants must be assigned to this account, at least one of whom shall be an equity partner of the firm. It is expected that the selected firm will provide independent, objective, creative and proactive input into its decision-making process.

Meetings will be held monthly in Montpelier, Vermont, and it is expected that at least two consultants will attend each meeting, in person, at least one of whom shall be an equity partner of the firm. Additional meetings per year may be requested; therefore, the bid should be based on a minimum of 12 meetings annually.

2.1 General Information

The VPIC is comprised of six members and four alternates as follows:

- One representative and one alternate are elected by the Trustees of the Board of the State Teachers' Retirement System of Vermont;
- One representative and one alternate are elected by the Trustees of the Board of the Vermont State Employees' Retirement System and
- One representative and one alternate are elected by the Trustees of the Board of the Vermont Municipal Employees' Retirement System.
- Two representatives and one alternate are appointed by the Governor.
- The Vermont State Treasurer.

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

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

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

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

2.2 Services to be provided:

The selected firm (s) will work with the VPIC and the Treasurer's Office on all phases of the investment program, providing full retainer consultation. Final decision-making on guidelines, asset allocation, manager selection and termination rests with the VPIC. Under the direction of the VPIC and the Treasurer's Office, the services to be provided by the investment-consulting firm shall include, but are not limited to, the following:

2.2.1 Investment Policy

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

1. Provide recommendations concerning long-term investment policy, investment objectives and strategy, manager continuation policies, and rebalancing policies;
2. Provide recommendations concerning risk management strategies and portfolio structure;
3. Provide recommendations concerning securities lending strategies; and
4. Provide compliance monitoring.

2.2.2 Asset Liability Study

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

1. Project pension liabilities and benefit payments;
2. Establish a target rate of return;
3. Generate multiple asset allocation options of portfolios on the efficient frontier;
4. Recommend risk tolerances;
5. Identify optimal combinations of asset classes expected to achieve the target return;
6. Assess appropriateness of the current asset allocation policy; and
7. Project investment return and asset levels, and assess funding status and contribution adequacy.

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

2.2.3 *Asset Allocation Plan*

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

1. Provide a report on asset allocation modeling (including methodology and specifics) linked to funding and liability management;
2. Provide an analysis of the investment characteristics of available asset alternatives;
3. Make recommendations for modifications to the statement of investment policy; and
4. Make recommendations for an optimum asset allocation for the fund based upon all of the foregoing, including a methodology (and a time table) for achieving such asset allocation.

In addition, the selected consultant shall provide ongoing guidance, asset class research, analysis and recommendations to the VPIC.

2.2.4 *Asset Allocation and Portfolio Review*

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

1. Provide an evaluation of the effectiveness of the current portfolio and investment manager structure (including evaluations of the current investment managers);
2. Provide a review of the fund's needs for particular investment styles or strategies within the portfolio (e.g., growth/core/value; small/mid/large capitalization; government/corporate/mortgage; and passive/risk controlled/active);
3. Provide an analysis of the current fee structure;
4. Provide an in-depth analysis of and recommendations on custody-related services including, but not limited to, securities lending, short-term investment funds, and other investment-related operations;
5. Provide compliance monitoring of the securities lending program;
6. Provide recommendations concerning brokerage issues, including directed brokerage, commission recapture, and other cost containment methodologies; and.
7. Provide an annual brokerage commission trading cost analysis.

The selected firm will continue to update the VPIC on an ongoing basis and provide recommendations and advice on new and specialized asset types and classes and in response to unique situations in the markets that may arise

2.2.5 *Manager Search and Selection*

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

the interviewing of managers; and provision of analysis and recommendations concerning selection of managers. Assist in the selection of the custodian and/or securities lending managers.

2.2.6 *Manager Oversight*

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

2.2.7 *Performance Measurement*

On a monthly basis the firm will provide a summary performance analysis of individual managers, their corresponding benchmarks, analysis of allocated portfolios, and the composite of all the asset classes.

On a quarterly basis provide performance analyses, including performance of individual allocated portfolios (domestic equity, fixed income, international equity, etc.), as well as the composite of all of the asset classes. The quarterly analyses will include a comparison of the target and actual asset allocations. The analyses will include a comparison of portfolio investment performance to benchmarks in order to demonstrate the value added by active management (if any). The analyses will include detailed return attribution characteristics, style analysis, risk analysis, peer/universe comparison, trading efficiency, and compliance monitoring. The consultant will utilize NAV data from the custodian to complete the report but will also complete a quarterly review of investment performance data submitted by managers for the purposes of reconciling any variances from VPIC established tolerances.

In addition, the selected firm shall:

1. Evaluate and make recommendations on appropriate benchmarks;
2. Complete an annual review of portfolio risk and provide quarterly updates.

2.2.8 *Portfolio Risk Management*

On a monthly basis, provide actionable risk management information, and identify types of risk or potential risk VPIC could or should act upon. The selected firm shall:

1. Provide analysis that is focused at the manager-level, asset-class level and portfolio level with actionable information focused primarily on changes in asset allocation.
2. Develop and execute a strategy to analyze the risks of VPIC's commingled holdings.
3. Comment on VPIC investment manager and portfolio performance on a risk-adjusted and value-added basis, to determine, for example, whether VPIC is taking too much risk to achieve its returns.
4. Comment on whether investment manager outperformance is a result of skill, luck or excessive risk taking, and describe your methods for evaluating this.
5. Assess the risks posed by the mismatch between portfolio assets and pension liabilities.
6. Identify the type and frequency of information required from VPIC to provide the required analyses.

2.2.9 Training, Education, and Client Relationship Duties

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

2.3 Documents, Reports, and Other

All documents, reports, computer software, paper and other materials (“papers”), except for those generally available to the public, which are provided by the State, and any copies of any such papers that may be reproduced or otherwise procured and all information contained in such papers, shall be deemed and shall remain exclusive property of the State and shall be available to the State's representatives upon their request. No papers may be reproduced or otherwise used for purposes unrelated to the subsequent contract.

2.4 Requirements Related to Conflicts of Interest and Independence

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

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

2.5 Insurance Coverage

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

3 PROCUREMENT AND CONTRACTUAL ADMINISTRATION

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

3.1 Bidding and Contractual Requirements

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

3.1.1 *Incurred Expenses*

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

3.1.2 *Public Records and Bidder Proprietary Information*

All responses will become the property of the State of Vermont and will be a matter of public record. Pursuant to V.S.A. §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 *Pricing*

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

3.1.4 *Subcontracting*

The State of Vermont will only enter into contracts with the primary contractor, and the State must approve any subcontractor contract in writing (See ATTACHMENT A, sub-Attachment C #15). The selected bidder must assume responsibility for subcontractor performance and payment. Subcontractors must abide by all conditions set forth in the contract with the primary contractor. The successful bidder will be expected to execute sub agreements for each subcontractor named in the proposal upon award of this contract. The bidder must provide a brief description in the cost proposal in regard to the basis for selecting each subcontractor (low bid, competitive negotiation, technical capabilities, etc.). The bidder must provide subcontractor cost estimates in the bidder's cost proposal.

3.1.5 *Doing Business in Vermont*

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

3.1.6 *Grievance of Award*

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

3.1.7 *Minority Business Enterprises*

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

3.1.8 *Duration of Proposal Offer*

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

3.1.9 *Revisions to the Solicitation*

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

3.1.10 *General Conditions*

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

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

3.1.11 *Contract Duration*

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

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

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

3.2 Bidder Questions

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

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

Response to questions will be posted to our Web site at www.vermonttreasurer.gov. All questions submitted must include the name of the firm and the person submitting the questions.

4 PROPOSAL PREPARATION

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

4.1 Proposal Acceptance

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

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

4.1.1 *Proposal Packaging and Required Copies*

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

Bidders must submit seven (7) bound copies of their technical proposals and one (1) unbound master copy of the technical proposal. In addition, the bidder must provide seven (7) bound copies of their cost proposal and one (1) unbound master copy of the cost proposal, each packaged separately.

The Bidder must also submit two (2) CD-ROMs containing the appropriate Microsoft Word 2007, and Excel 2007 files to comprise a full proposal set of both the technical and cost proposals.

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

Contents of Response Cover Page

RFP title:	Vermont Retirement Systems Pension Investment Consultant Services RFP
RFP section:	Technical or Cost
<i>Closing date and time for submission of proposals April 5, 2010 at 2:00 pm.</i>	
Name, address, e-mail, and (voice) telephone number of firm submitting proposal	

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

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

Part I – Administrative	Cover page Cover Letter as described below Tax Certificate Table of Contents
-------------------------	---

Part II	Bidder Information
Part III	Technical Approach
Part IV	Bidder References
Part V (to be packaged separately)	Cost

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

4.2 Bidder's Proposal Part I -Administrative Section

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

4.2.1 Cover Letter

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

"We have read the State's Request for Proposals (RFP) for VPIC Pension Investment Consultant Services and fully understand its intent. We certify that we have adequate personnel, equipment, and facilities to provide the State's requested services that we have indicated we can meet. We understand that our ability to meet the criteria and provide the required services shall be judged solely by the Office of the State Treasurer."

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

In addition, the cover letter must certify that:

- The response is genuine, and is not collusive or a sham.
- The response is not made in the interest of or on the behalf of any person not named therein.
- The bidder has not directly or indirectly induced or solicited any person to submit a false or sham response or to refrain from submitting a proposal.
- The bidder has not in any manner sought by collusion to secure an advantage over any other respondent.
- The bidder has thoroughly examined the RFP requirements, and the proposed fees cover all the services that the State has requested.
- The bidder acknowledges and accepts all terms and conditions included in the RFP.
- The bidder agrees to provide services in a manner acceptable to the State, and as stipulated in the RFP and subsequent contract.
- The bidder and key professionals do not have or anticipate a potential conflict of interest with the Office of the State Treasurer or the Boards of Trustees of the three retirement systems.
- The bidder and key professionals do not accept fees and derive no benefit from relationships with any persons involved in the RFP.
- The bidder has completed and submitted, with the RFP response, the Vermont Tax Certificate (provided) required by this RFP.
- The bidder has submitted financial information. Publicly owned businesses agree to provide their most recent annual report, current balance and income statement, and D&B report. Privately owned businesses agree to provide company financials. Proprietary and/or confidential materials must be marked accordingly.

4.2.2 *Tax Certificate*

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

4.3 *Bidder's Proposal Part II – Bidder Information*

4.3.1 *Section 1 – General*

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

- a. Please provide a description of the ownership and structure of the firm, which includes the parent company and any affiliated companies and/or joint ventures.
- b. Are any changes to the firm's corporate or organizational structure anticipated within the next 12-months? If yes, please specify.
- c. Describe your plans for managing the future growth of your firm in terms of staff, maximum assets, number of clients, and other criteria, and describe how this impacts your ability and commitment to servicing your existing clients.
- d. Please list all office locations and the number of individuals working in each office. Please specify which office would be the primary relationship office.
- e. List the owners of the firm (from largest to smallest with respect to ownership) and their ownership percentages. Please include individuals and all other entities.
- f. Please list all principals of the firm and their backgrounds, credentials and certifications.
- g. Please provide the most recently completed audited financial statements for your firm.
- h. Please identify if your firm, its parent, or affiliate is a registered investment advisor with the SEC under the Investment Advisors Act of 1940. If not, what is your fiduciary classification? Please provide a copy of your firm's most recently filed SEC Form ADV, Parts I and II, and any associated schedules.

4.3.2 *Section 2 – Financial and Regulatory Disclosure*

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

	2007	2008	2009
Revenues from consulting with Plan Sponsors	_____	_____	_____
Revenues from money management activities	_____	_____	_____
Revenue from services to money managers	_____	_____	_____
Other (specify)	_____	_____	_____
Other (specify)	_____	_____	_____

- b. If the firm has an ultimate parent company, please list the percentage of total income that the firm's services represent to the ultimate parent company.

- c. Does the firm or an affiliate of the firm serve as an investment manager for clients? If yes, please provide a description.
- d. Does your firm, its principals, or any affiliate own, or have any financial interest with, a money management firm, broker-dealer, or other organization that sells information, software and/or services to institutional investors and/or SEC registered investment advisors? If yes, identify the entity and describe the relationship. Include any related or affiliated businesses associated with the investment manager.
- e. Does the firm and/or any affiliates accept soft dollars as a method of payment for services provided? If yes, please provide an explanation.
- f. Do you allow plans to pay for consulting fees using the plan's brokerage commissions? If yes, please describe how these are monitored. Please also describe steps taken to prevent overpayment of consulting fees. Again, if yes, describe steps you have taken to ensure that the plan receives best execution for its security trades.
- g. Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?
- h. Does the firm accept fees from investment managers or advisors, including but not limited to conference fees, commission credits, or other services? If yes, please describe the nature of this activity. Please list all managers from whom fees, services, or credits were received.
- i. Has your firm, its principals or any affiliate ever (i) been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state, or self-regulatory body or organization; (ii) been a party to any litigation concerning fiduciary responsibility or other investment related matters; or (iii) submitted a claim to your errors and omissions, fiduciary liability, and/or fidelity bond insurance carrier(s)? If yes to any, please provide details.
- j. Within the last ten years, has your organization or an officer or principal been involved in any business litigation or other legal proceedings not included in the previous question? If yes, please provide an explanation and indicate the current status or disposition.
- k. Would the firm be willing to disclose, annually or upon client request, the dollar amount and nature of all material beneficial relationships that the firm or any affiliate of the firm engages in with investment manager clients? If not, please explain.
- l. Has the firm adopted the CFA Code of Ethics and Standards of Professional Conduct? Does the firm have a written code of conduct or set of standards for professional behavior? If so, attach a copy and state how are they monitored and enforced.
- m. Please describe and attach a copy of the firm's ethics and conflict of interest policy. If the firm, its affiliates, or the ultimate parent company provides investment management services, brokerage services, or services to investment managers, please include an explanation of how this policy, and any other measures taken by the firm, limit the

likelihood that the client could receive investment advice that is not solely aligned with their best interests.

- n. Do you subcontract or outsource any parts of your investment consulting business (actuarial, asset liability studies, etc.)? If yes, please describe in detail and state the reasons for this relationship. Please provide the name(s) of the providers, their office location, firm experience in the specified areas of consultation. Please note the State’s requirements for approval of subcontractors as specified in section 3.1.4.
- o. Does your firm have any financial or subcontract or relationships with entities responsible for providing benchmarks or the peer/universe database? If yes, please explain.
- p. Please disclose in detail any potential conflicts of interest that currently exist or would be created by the firm’s representation of VPIC including any activities of affiliated or parent organizations as well as other client relationships. Please include any potential conflict of interest based on VPIC’s current mix of investment managers.

4.4 Bidder’s Proposal PART III – Technical Approach

4.4.1 Section 1 – Summary/Overview.

This should include a statement in the bidder’s own words of the overall nature of the services requested in this RFP and a narrative of how it will provide the requested services identified in the RFP. The narrative should address all services outlined in the “Scope of Services” and should be prepared simply and economically, providing a straightforward and concise description of the bidder’s philosophy, services, and qualifications.

4.4.2 Section 2 – Questions.

Section 2 – Questions in Word Format [\(click here\)](#)

Please provide a full but concise response to the following questions.

- a. If you are hired, will you acknowledge in writing that you have a fiduciary obligation, comparable to those defined by ERISA, as an investment advisor to the VPIC while providing services described in this RFP? If no, please describe and explain any qualifications.
- b. Please list the total number of professionals in the firm in each of the following categories for the past three years, as of December 31. Each person should be assigned to only one category.

	2007	2008	2009
DB Plan Consultants			
DC consultants			
Actuarial Consultants			
Other Consultants			
Analysts			
Analytical/Systems Staff			
Economists			
Marketing			
Firm Management			
Other (specify)			

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

Category	2005	2006	2007	2008	2009
Number of clients					
Assets					

- g. Please list the number of full-retainer clients served by the firm (by asset size and by type) as of December 31, 2009:

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

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

- p. Please provide an explanation of how your firm will assure compliance with various statutes, rules, regulations and administrative bulletins relative to procurement in Vermont.
- q. Describe the process of establishing benchmark performance targets for a plan and how that selection relates to the benchmark for individual investment managers.
- r. How do you monitor and evaluate manager style or strategy drift? Please describe the process.
- s. Please provide a sample standard investment manager search report, including analysis, and the recommendations to hire.
- t. What factors would your firm consider in making a recommendation to terminate an investment manager?
- u. Provide an example of a written recommendation to terminate a manager that you have made within the last year. Include copies of supporting documentation you provided to your client.
- v. What factors do you consider to be critical in reporting performance? Describe the content and format of your performance reports. Describe the sources of data utilized for evaluating clients' performance. How are fund contributions and withdrawals incorporated into performance and other analyses?
- w. Are all performance reports compliant with industry standards? Please describe how this is monitored. How is reporting data reconciled with the investment managers and the custodian?
- x. What is the anticipated availability date for each report after quarter end? How much flexibility is there in your reporting format? Can reports be customized at the VPIC's request? Within what time. Can requested changes in reporting be made; i.e., at the beginning of the relationship only, or anytime changes are needed?
- y. Please provide samples of your performance reports. Do you have the ability to customize reports for your clients?
- z. Please include as exhibits sample copies of the following:
 - 1. manager search book
 - 2. manager due diligence report
 - 3. research report
 - 4. quarterly performance review
- aa. Discuss in detail the theory and methodology of the asset allocation models your firm employs. How do you develop asset class assumptions? Provide a sample asset allocation report.
- bb. How do you factor in the characteristics of plan liabilities in your asset allocation analysis? Provide a sample asset/liability study. How frequently do you recommend that these be completed?
- cc. Describe your role in implementing manager transitions and/or rebalancing strategic asset allocation targets.
- dd. Outline your process for maintaining a continuous review of investment policy, asset allocation, and portfolio structure.
- ee. Explain your perspective relating to the following and how they are integrated into your risk management strategy:
 - 1. Risk budgeting

2. Liability Driven Investing
 3. Factor analysis (credit, inflation, economic growth, etc.)
 4. Risk Parity
 5. Scenario analysis (what if?)
 6. Stress Testing
 7. Monte Carlo simulation
 8. Value at Risk analysis (VaR)
 9. Hedging overlays
 10. Other (specify)
- ff. Have you created a risk model that utilizes any or all of the above that is used by any of your clients? If yes, please describe.
- gg. Describe your firm's philosophy regarding strategic versus tactical asset allocation.
- hh. What role do the following play in your firm's general view of the asset allocation process for your clients?
1. Passive vs. active management
 2. Commingled vs. separate accounts
- ii. Describe any style preferences and your perspective on how the following are best suited for public pension portfolios:
1. Value vs. growth investing
 2. Large vs. small cap investing
 3. Non-US investments
 4. Emerging markets investments
 5. Real estate
 6. Private equity
 7. Hedge funds
 8. Derivative investment vehicles
 9. Commodities
 10. Economically Targeted Investments
 11. Other.
- jj. VPIC currently invests in real estate, global asset allocation, and risk parity products, but has little or no assets in other alternatives such as hedge funds or private equity, and has not made a decision relative to expansion into these asset classes. Discuss the role of alternative investments within a public pension portfolio. Do you have clients using alternative investments? If so, identify and describe your expertise in alternative asset classes. How does your firm assist in the design, implementation, and monitoring of such an investment program?. Do you have staff dedicated to researching this asset class? Describe the elements of a due diligence process for assessing the merits of alternative investments and ongoing monitoring.

- kk. Describe your experience in conducting analyses of custodians. Include a sample report.
- ll. For how many clients has your firm presented education workshops during the past two years? Please describe the content of these workshops.
- mm. Describe what you see as your role in the area of general guidance and direction to staff and the VPIC and any subcommittees.
- nn. Does your firm provide an on-line resource library with a variety of perspectives on investment topics? Please explain what resources are available to VPIC members and interested parties.
- oo. The unprecedented economic and market events of the past two years have had a significant impact on public pensions. Describe how these have impacted your methodologies as they relate to asset allocation, portfolio risk management, investment manager due diligence, compliance monitoring, securities lending, and any other investment topics you believe relevant.
- pp. If your firm was selected as the investment consultant, briefly describe how VPIC would transition to your firm. Include a discussion of your handling of historical transaction and/or investment performance data. Please provide at least one reference (name, fund name, address, phone, e-mail) of a recent client of yours whom we can contact regarding the transition process.
- qq. Please describe your emergency business continuity, disaster recovery, and backup office/computer system plans. Have you ever had to activate any parts of the plan? Describe the effectiveness of the plan and any post-activity modifications to that plan.

4.4.3 *Section 3 – Proposed Value-Added Options*

The State will consider any option proposed by the bidder as a value-added option that will substantially reduce costs, improve efficiency of operations, or provide services not specified in this RFP, including at additional cost. This Section is optional (but desirable) in the bidder's proposal.

If your firm wishes to propose an additional specialized service for alternatives, outside the scope of the full service proposal including alternatives, please include the detail in this section. Please clearly identify what services are included in the full service proposal and any optional program. It is expected that the State will select one general investment consultant, although the State reserves the right to select multiple firms. The State may select a separate firm for alternative investment consultation at its discretion or incorporate those services with the general investment consultant.

4.4.4 *Section 4 – Assumptions and Exceptions*

Identification of all assumptions that the bidder made in preparing its proposal as well as any exceptions that the bidder takes with regard to the requirements expressed in the RFP. This section must contain a list of **all** assumptions and exceptions, with a cross-reference to the specific section of the RFP to which the assumption or exception applies.

4.5 *Bidder's Proposal PART IV – Bidder References*

The bidder shall provide a minimum of four (4) references. At least one must be for public sector clients with at least \$1 billion for which you provide full retainer services, as previously described. For each reference, the bidder must include the name, address, e-mail address, and telephone numbers of individuals qualified to provide information from both the management and technical viewpoints. For each reference, the bidder must specify:

- The length of time during which services were performed;

- A description of the specific services provided;
- Project statistics such as size of funds, number of investment types, number of indices, etc.

4.6 Bidder's Proposal PART V – Cost

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

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

The format of the cost presentation is as follows:

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

	Full Services/Retainer:	Portion Related to Alternatives:
All-Inclusive Flat Fee - Year 1	\$ _____	\$ _____
All-Inclusive Flat Fee - Year 2	\$ _____	\$ _____
All-Inclusive Flat Fee - Year 3 (optional year)	\$ _____	\$ _____
All-Inclusive Flat Fee - Year 4 (optional year)	\$ _____	\$ _____
TOTAL FEES (Years 1-4)	\$ _____	\$ _____

B. Additional Fees:

Please provide a fee quote for any services, if any, that would not be covered in the fees proposed in part A above. This would include any additional services included in Technical Proposal, Section 3, Value Added Options. Please state as flat fees or hourly rates. Flat fees and/or hourly rates must be all inclusive of all administrative, travel, labor, and incidental costs.

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

C. Additional Information:

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

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

5 BIDDER EVALUATION AND SELECTION CRITERIA

5.1 Bidder Evaluation

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

Fees and compensation will be an important factor in the evaluation of responses. However, the Office of the State Treasurer is not required to select the low-cost bidder, but may select the bid that demonstrates the “best value” overall, including proposed alternatives, and that meets the objectives of this RFP. The Office of the State Treasurer reserves the right to negotiate a change in any element of contract performance or cost identified in the RFP.

Evaluation of Proposals
A. RFP Understanding Approach Clarity Responsiveness to Scope of Services and ability to provide requested services
B. General Experience & Qualifications of Firm Experience Assigned personnel Any other resources assigned to State
C. Regulatory Compliance and Independence
D. Cost

The Office of the State Treasurer reserves the right to seek clarification of any proposal submitted, to request oral presentations, and to select the proposal considered to best promote the public interest.

The State of Vermont is conscious of and concerned about collusion. It should therefore be understood by all that in signing the bid and contract documents you agree that the prices quoted have been arrived at without collusion and that no prior information concerning these prices has been received from or given to a competitive company.

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

ATTACHMENT A – STANDARD CONTRACT PROVISIONS

STATE OF VERMONT STANDARD CONTRACT FOR PERSONAL SERVICES

1. **Parties.** This is a contract for 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 _____. 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 Work to be Performed

Attachment B – Payment Provisions

Attachment C – “Standard State Contract Provisions,” a preprinted form (revision date 12/5/2008), except that the following numbered paragraphs are not included:

_____.

Attachment D – Standards of Conduct

Attachment E – Other Contract Provisions

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

by the **STATE OF VERMONT:**

by the **CONTRACTOR:**

Date: _____

Date: _____

Signature: _____

Signature: _____

Name: _____

Name: _____

Agency: _____

Title: _____

Attachment A:
Specifications of Work to Be Performed

To be entered by the State.

Attachment B:
Payment Provisions

To be entered by the State.

Attachment C:
Standard State Contract Provisions
FOR CONTRACTS AND GRANTS

1. **Entire Agreement:** This Agreement, whether in the form of a Contract, State Funded Grant, or Federally Funded Grant, 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 Agreement will be governed by the laws of the State of Vermont.
3. **Definitions:** For purposes of this Attachment, "Party" shall mean the Contractor, Grantee or Subrecipient, with whom the State of Vermont is executing this Agreement and consistent with the form of the Agreement.
4. **Appropriations:** If this Agreement extends into more than one fiscal year of the State (July 1 to June 30), and if appropriations are insufficient to support this Agreement, the State may cancel at

the end of the fiscal year, or otherwise upon the expiration of existing appropriation authority. In the case that this Agreement is a Grant that is funded in whole or in part by federal funds, and in the event federal funds become unavailable or reduced, the State may suspend or cancel this Grant immediately, and the State shall have no obligation to pay Subrecipient from State revenues.

5. **No Employee Benefits For Party:** The Party understands that the State will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation or 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 Agreement. The Party 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 Party, and information as to Agreement income will be provided by the State of Vermont to the Internal Revenue Service and the Vermont Department of Taxes.
6. **Independence, Liability:** The Party will act in an independent capacity and not as officers or employees of the State.

The Party shall defend the State and its officers and employees against all claims or suits arising in whole or in part from any act or omission of the Party or of any agent of the Party. The State shall notify the Party in the event of any such claim or suit, and the Party shall immediately retain counsel and otherwise provide a complete defense against the entire claim or suit.

After a final judgment or settlement the Party may request recoupment of specific defense costs and may file suit in Washington Superior Court requesting recoupment. The Party shall be entitled to recoup costs only upon a showing that such costs were entirely unrelated to the defense of any claim arising from an act or omission of the Party.

The Party shall indemnify the State and its officers and employees in the event that the State, its officers or employees become legally obligated to pay any damages or losses arising from any act or omission of the Party.

7. **Insurance:** Before commencing work on this Agreement the Party must provide certificates of insurance to show that the following minimum coverages are in effect. It is the responsibility of the Party to maintain current certificates of insurance on file with the state through the term of the Agreement. No warranty is made that the coverages and limits listed herein are adequate to cover and protect the interests of the Party for the Party's operations. These are solely minimums that have been established to protect the interests of the State.

Workers Compensation: With respect to all operations performed, the Party 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 Party 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.

Party shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this Agreement.

Automotive Liability: The Party shall carry automotive liability insurance covering all motor vehicles, including hired and non-owned coverage, used in connection with the Agreement. Limits of coverage shall not be less than: \$1,000,000 combined single limit.

Party shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this Agreement.

- 8. Reliance by the State on Representations:** All payments by the State under this Agreement will be made in reliance upon the accuracy of all prior representations by the Party, including but not limited to bills, invoices, progress reports and other proofs of work.
- 9. Requirement to Have a Single Audit:** In the case that this Agreement is a Grant that is funded in whole or in part by federal funds, and if this Subrecipient expends \$500,000 or more in federal assistance during its fiscal year, the Subrecipient is required to have a single audit conducted in accordance with the Single Audit Act, except when it elects to have a program specific audit.

The Subrecipient may elect to have a program specific audit if it expends funds under only one federal program and the federal program's laws, regulating or grant agreements do not require a financial statement audit of the Party.

A Subrecipient is exempt if the Party expends less than \$500,000 in total federal assistance in one year.

The Subrecipient will complete the Certification of Audit Requirement annually within 45 days after its fiscal year end. If a single audit is required, the sub-recipient will submit a copy of the audit report to the primary pass-through Party and any other pass-through Party that requests it within 9 months. If a single audit is not required, the Subrecipient will submit the Schedule of Federal Expenditures within 45 days. These forms will be mailed to the Subrecipient by the Department of Finance and Management near the end of its fiscal year. These forms are also available on the Finance & Management Web page at: <http://finance.vermont.gov/forms>

- 10. Records Available for Audit:** The Party 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 Agreement 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 Agreement.

11. Fair Employment Practices and Americans with Disabilities Act: Party agrees to comply with the requirement of Title 21V.S.A. Chapter 5, Subchapter 6, relating to fair employment practices, to the full extent applicable. Party 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 Party under this Agreement. Party further agrees to include this provision in all subcontracts.

12. Set Off: The State may set off any sums which the Party owes the State against any sums due the Party under this Agreement; 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.

13. Taxes Due to the State:

Party 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.

- a) Party certifies under the pains and penalties of perjury that, as of the date the Agreement is signed, the Party 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.
- b) Party understands that final payment under this Agreement may be withheld if the Commissioner of Taxes determines that the Party 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.
- c) Party also understands the State may set off taxes (and related penalties, interest and fees) due to the State of Vermont, but only if the Party has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and the Party has no further legal recourse to contest the amounts due.

14. Child Support: (Applicable if the Party is a natural person, not a corporation or partnership.) Party states that, as of the date the Agreement 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.

Party makes this statement with regard to support owed to any and all children residing in Vermont. In addition, if the Party is a resident of Vermont, Party makes this statement with regard to support owed to any and all children residing in any other state or territory of the United States.

15. Sub-Agreements: Party shall not assign, subcontract or subgrant the performance of his Agreement or any portion thereof to any other Party without the prior written approval of the State. Party also agrees to include all subcontract or subgrant agreements and a tax certification in accordance with paragraph 11 above.

16. No Gifts or Gratuities: Party 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 Agreement.

17. Copies: All written reports prepared under this Agreement will be printed using both sides of the paper.

18. Certification Regarding Debarment: Party certifies under pains and penalties of perjury that, as of the date that this Agreement is signed, neither Party nor Party'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.

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.

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

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

§9. GIFTS AND GRATUITIES

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

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

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

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

§10. INITIATION OR CONTINUATION OF CONTRACTUAL RELATIONSHIP

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

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

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

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

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

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

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

§11. SANCTIONS

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

1. A recommendation that a Trustee refrain from participation and voting in a matter or matters pending before the Board.

2. A recommendation that a Trustee repay or return any gift or benefit received by a Trustee from a Vendor or potential Vendor.

3. A recommendation that a Trustee refrain from particular actions that the Board determines constitute an actual or potential conflict and are detrimental to public confidence in the system's integrity.

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 E:
Other Provisions**

(Sample language for contracts)

Confidentiality: Sometimes agencies have legitimate needs to protect confidential information. The RFP can require contractors to maintain confidentiality, although the contract ultimately should duplicate this requirement. Conversely, bidders sometimes want to know how the State will treat the bidder's proprietary information. The RFP should state whether such information will be returned or retained by the agency.

Identity of workers: The Contractor will assign the following individuals [list individuals] to the services to be performed under the provisions of this contract, and these individuals shall be considered essential to performance. Should any of the individuals become unavailable during the period of performance, the State shall have the right to approve any proposed successors, or, at its option, to cancel the remainder of the contract.

Owner's protective liability insurance: The contractor shall carry liability insurance protecting the State and the contractor from all claims because of bodily injury or death and property damage, arising out of the work performed under the contract. The liability insurance shall be in an amount not less than \$1,000,000 and a certificate of insurance shall be furnished to the State before commencement of work. **Comment:** *Owners Protective Liability Insurance should be utilized when a contractor's business involves work at multiple job sites (not necessarily all for the State) and it is unclear whether the contractor would have adequate insurance coverage in the event of multiple occurrences at different sites. For example, contracts with large construction companies should include such a clause.*

Professional liability insurance: Before commencing work on this contract and throughout the term of this contract, contractor shall procure and maintain professional liability insurance for any and all services performed under this contract, with minimum coverage of \$_____ per occurrence. **Comment:** *Professionals with whom the State contracts, such as lawyers, architects, engineers, and health care providers, must be required to maintain professional liability insurance in sufficient amounts to protect the State's interest from the consequences of negligence. The Director of Risk Management will determine the minimum amount appropriate for different classes of professionals.*

ATTACHMENT B – INVESTMENT POLICY GUIDELINES AND REPORTS

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

<http://www.vermonttreasurer.gov/pension-funds/investment-guidelines>

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

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

<http://www.vermonttreasurer.gov/pension-funds>
<http://www.vermonttreasurer.gov/retirement/state-financial-reports>
<http://www.vermonttreasurer.gov/retirement/vstrs-financial-reports>
<http://www.vermonttreasurer.gov/retirement/muni-financial-reports>

- End RFP -