



STATE OF VERMONT  
OFFICE OF THE STATE TREASURER

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

## SEALED BID REQUEST FOR PROPOSAL

### STABLE VALUE INVESTMENT MANAGEMENT SERVICES

DATE: **JULY 26, 2010**

QUESTIONS DUE BY: **AUGUST 9, 2010**

DATE OF BID OPENING: **AUGUST 25, 2010**

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

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

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

THE OFFICE OF THE STATE TREASURER WILL MAKE NO ATTEMPT TO CONTACT 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](mailto:Donna.Holden@state.vt.us)  
FAX: (802) 828-2772



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## SEALED BID INSTRUCTIONS

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

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

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

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



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DATE: JULY 26, 2010

REQUEST FOR PROPOSAL  
THIS IS A SEALED BID RESPONSE  
BIDS MUST BE RECEIVED BY **AUGUST 25, 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      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 State of Vermont office of the State Treasurer, acting on behalf of the Vermont State Employees Retirement System (VSERS) and the Vermont State Teachers Retirement System (VSTRS) is seeking stable value investment management services and contract wrap services for its Single Deposit Investment Account (SDIA) fund. The SDIA fund seeks to provide a relatively high fixed income yield with little market-related risk. Of primary importance is the preservation of principal and earned interest. Secondary to the preservation of capital is the need to generate, over time, a composite yield in excess of short-term yields available in the fixed income marketplace. Third party administration (TPA) and custody services for the fund are provided separately and are not included in this RFP.

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 AUGUST 25, 2010.**

### 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 be registered under the appropriate state and federal securities, insurance and/or banking laws. The bidder shall be responsible for obtaining and maintaining all licenses required in order for the bidder's personnel to fulfill the required duties.

#### Investment Managers:

The bidder must currently serve as a manager for stable value funds and have at least \$5 billion minimum assets under management with at least seven years experience managing such funds and have at least three (3) IRC 401(k), 403(b) or 457 that are using its stable value as of March 31, 2010.

The Contractor must be SEC-registered or exempt from registration with the nature of the exemption provided.

#### Wrap providers:

The wrap provider must be an insurance company, bank or financial institution with five or more years experience providing wrap contracts or similar products to stable value funds.

All providers must be rated by at least two nationally recognized rating agencies with a rating of AA-/AA3 or better.

The State will evaluate regulatory filings and rating agency reports to assess risk-based capital adequacy.

If the bidder is an insurance company, bidder must have all of the following ratings:

- At least two Insurer Financial Strength or Claims-Paying Ability type ratings from the major rating services;
- No Insurer Financial Strength or Claims-Paying Ability type rating less than “A+/A1” and a rating of no less than “A-” from A. M. Best Company.
- NAIC risk-based capital (RBC) ratio of no less than 200%

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

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

Name: Ms. Donna Holden  
Title: Contracts Administrator  
Vermont State Treasurer’s Office  
109 State Street, 4<sup>th</sup> Floor  
Montpelier, Vermont 05609-6200  
Telephone: 802-828-3708  
FAX: 802-828-2772  
E-Mail: [Donna.Holden@state.vt.us](mailto:Donna.Holden@state.vt.us)

All e-mail communication with Ms. Holden must include the words “STABLE VALUE RFP” in the subject line.

**Bidder’s proposals, due by 2:00 PM for bid opening on AUGUST 25, 2010, are to be delivered to the Treasurer’s Office, marked to the attention of Ms. Donna Holden (see above).**

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

### **1.4 Bidder Questions**

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

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

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

### **1.5 RFP Timetable**

RELEASE DATE OF THE RFP:	JULY 26, 2010
QUESTIONS DUE BY:	AUGUST 9, 2010
ANSWERS TO QUESTIONS POSTED ON <a href="http://www.vermonttreasurer.gov">www.vermonttreasurer.gov</a>	AUGUST 12, 2010
ALL PROPOSALS MUST BE SUBMITTED NO LATER THAN 2:00 P.M. Eastern Time ON:	AUGUST 25, 2010

### *1.6 Attachments to RFP*

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

- **Attachment A** – Standard Contract Provisions
- Attachment B – Confidentiality Agreement
- Attachment C – SDIA Plan Specifications and Demographics

## 2 SCOPE OF SERVICES

The State of Vermont office of the State Treasurer, acting on behalf of the Vermont State Employees Retirement System (VSERS) and the Vermont State Teachers Retirement System (VSTRS) is seeking stable value investment management services and contract wrap services for its Single Deposit Investment Account (SDIA) fund. The SDIA fund seeks to provide a relatively high fixed income yield with little market-related risk. Of primary importance is the preservation of principal and earned interest. Secondary to the preservation of capital is the need to generate, over time, a composite yield in excess of short-term yields available in the fixed income marketplace. Third party administration (TPA) and custody services for the fund are provided separately and are not included in this RFP.

The scope of services includes, but is not limited to:

### 2.1 General Information

**Overview:** The State is considering a number of options for the delivery of these investment services including:

1. Contract wrap services for the existing SDIA fixed income portfolios or a replacement portfolio. The State is seeking proposals where the fixed income securities are insulated from interest rate volatility by wrap contracts from banks and/or insurance companies and the SDIA plan and its participants own the underlying invested assets-the portfolio of fixed income securities. The State will not consider wrap arrangements where the invested assets are owned by the bank, insurance company or an entity other than the SDIA plan or its participants. The bidder must propose on the entire SDIA fixed income portfolio although the State reserves the right to wrap only a portion of the existing portfolio. The State will consider changes to the current investment guidelines and the bidder may submit multiple wrap proposals based on one or more set of proposed guidelines.
2. Separately managed stable value funds customized to meet the objectives of the SDIA plan that do not include the assets of other, unrelated plans. The State is seeking a portfolio of made up of primarily high quality fixed income instruments with a stable value arrangement or wrap contract(s). Any proposal submitted pursuant to this RFP must consolidate the existing fixed income portfolios although the State reserves the right to select one or more bidders and/or retain one or more of the existing portfolios.
  - o The investment manager will be the lead bidder (and contractor in the event of award) and will in turn secure wrap services. All proposed stable value arrangements or wrap contracts must be included in the RFP response. If a wrap contract is added or modified in the case of the contract, the State reserves the right to review and approve such contracts.
  - o If the proposed stable value arrangement or wrapper is to be issued or guaranteed by the investment firm, its parent, or an otherwise affiliated company, the bidder must demonstrate to the State's satisfaction that conflicts of interest do not exist and that the fiduciary duty of the investment manager is not impaired.
3. Commingled stable value funds designed to combine the assets of unrelated plans, with resulting diversity economies of scale within a single stable value strategy.
  - o The bidder may submit multiple proposals based on a range of investment guidelines.
  - o If the proposed stable value arrangement or wrapper is to be issued or guaranteed by the investment firm, its parent, or an otherwise affiliated company, the bidder must demonstrate to the State's satisfaction that conflicts of interest do not exist and that the fiduciary duty of the investment manager is not impaired.

The State is not soliciting proposals for directly guaranteed stable value funds that hold or invest in a single group annuity contract issued directly to the plan.

The selected investment manager must have the capabilities to interact with the state's TPA (Great West) and custodian bank (State Street Bank), the State Treasurer's office and the Trustee Boards for VSERS and VSTRS. The investment manager shall act as a fiduciary to the State and discharge its duties solely in the best interest of the State.

Included in Attachment C of this RFP are details on the current investment portfolio, its characteristics and holdings, and cash flows as well as plan and participant demographic information.

## 2.2 Documents, Reports, and Other

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

## 2.3 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.

## 2.4 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 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 & 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 Member Confidentiality*

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

##### *3.1.4 Pricing*

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

##### *3.1.5 Subcontracting*

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

### *3.1.6 Doing Business in Vermont*

The bidder awarded this contract shall, upon notification of award, apply for registration with the Vermont Secretary of State's Office to do business in the State of Vermont, if not already so registered. The registration form may be obtained from the Vermont Secretary of State, Corporations Division, 81 River Street, Montpelier, VT 05609-1104. The telephone number is (802) 828-2386. The Treasurer's Office will not execute the contract until the bidder is registered with the Secretary of State's Office.

Bidders are responsible for complying with all statutory provisions applicable to doing business in the State of Vermont (see above and Attachment A, attached to this RFP), which is required to be executed 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.

### *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 the State. Such modifications (or amendments) to the RFP will be posted to the Treasurer's Web site at [www.vermonttreasurer.gov](http://www.vermonttreasurer.gov) and will not be distributed through any other means. It is the bidder's responsibility to check the Web site for such changes.

### *3.1.10 General Conditions*

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

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

### *3.1.11 Contract Duration*

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

The successful bidder will be required to execute the State's standard contract after the specific details of the transaction have been inserted. Any objections, or requested changes to the standard form language must be provided with the bid, or they shall be waived by the bidder. Any 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.

## 4 PROPOSAL PREPARATION

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

### 4.1 Proposal Acceptance

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

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

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

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

#### Contents of Response Cover Page

RFP title: STABLE VALUE INVESTMENT MANAGEMENT SERVICES RFP
RFP section: Technical or Cost
<b><i>Closing date and time for submission of proposals: AUGUST 25, 2010 2:00 pm.</i></b>
Name, address, e-mail, and (voice) telephone number of firm submitting proposal

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

Bidders are to organize their proposals into 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 III	Bidder References
Part IV (to be packaged separately)	Cost

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

## 4.2 Bidder’s Proposal Part I -Administrative Section

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

### *4.2.1 Cover Letter*

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

*“We have read the State’s Request for Proposals (RFP) for STABLE VALUE INVESTMENT MANAGEMENT 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 in this RFP.
- The bidder has submitted financial information. Publicly owned businesses agree to provide their most recent annual report, current balance and income statement, and D&B report. Privately owned businesses agree to provide company financials. Proprietary and/or confidential materials must be marked accordingly.

#### *4.2.2 Tax Certificate*

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

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

#### *4.3.1 Section 1 – General*

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

1. 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.
2. Are any changes to the firm's corporate or organizational structure anticipated within the next 12-months? If yes, please specify.
3. 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.
4. Please list all office locations and the number of individuals working in each office. Please specify which office would be the primary relationship office.
5. Please provide the most recently completed audited financial statements for your firm.
6. 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.
7. Please provide information regarding whether your firm has had any litigation, arbitration, or regulatory proceedings, either pending, adjudicated, or settled, within the last five years.
8. Please provide information regarding whether your firm has had any regulatory, state, or federal agency investigations within the last five years.

### *4.4 Bidder's Proposal PART III – Technical Approach*

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

- *Section 1 – Summary/Overview.* Please identify if you are submitting proposals for the following. Please note that the questions in Section 4.3, technical section above, must be completed separately for each proposal

- a. Wrap Contracts for existing stable value portfolios or replacement portfolio. The bidder may propose alternate investment guidelines.

Yes { } Number of proposals { } No { }

- b. Separately managed fixed income fund with wrap services included in a bundled product. Please note the State is not soliciting stand alone (non- wrapped) fixed income portfolio management services.

Yes { } Number of proposals { } No { }

- c. Commingled Stable Value Fund with multiple wrap contacts

Yes { } Number of proposals { } No { }

- d. Other proposed solutions to achieve the stated objectives in a cost-effective manner. As noted in the scope of services, the State will not consider wrap arrangements where the invested assets are owned by the bank, insurance company or an entity other than the SDIA plan or its participants

Yes { } Number of proposals { } No { }

2. For each service identified above, include a statement in the bidder's own words of the overall nature of the services requested in this RFP and a narrative of how it will provide the requested services identified in the RFP. The narrative should address all services outlined in the "Scope of Services" and should be prepared simply and economically, providing a straightforward and concise description of the bidder's philosophy, services, and qualifications.

- *Section 2 – Questions.* Please provide a full but concise response to the following questions.

**Section A: For bidders submitting proposals for wrap services only, i.e. unbundled wrap Services (this section should be completed by wrap providers submitting bids for the existing fixed income portfolios with or without guideline revisions)**

1. Describe how you would propose to use wrap contracts for either the existing SDIA accounts or for a range of fixed income portfolios. Discuss the degree of flexibility in negotiating the investment guidelines.
2. Provide the following information regarding your investment guidelines:
  - a. What is your minimum public rating agency rating requirement?
  - b. Describe any other quality requirements.
  - c. What is the greatest percent of the fund that can be invested in minimum quality instruments?
3. Describe how you use finite maturity products and/or constant duration (evergreen) products?
4. How often is the crediting rate reset?

5. Provide the historical crediting rate of a representative stable value product for the past seven years. Provide an overview of the investment guidelines for the selected product. If proposing services for a range of guidelines, provide historical data for each.
6. Discuss the procedures used to develop the crediting rate and provide the formula for the proposed crediting rate. Has this procedure changed within the past five years?
7. In addition to guaranteeing principal, are you willing to guarantee that participants will receive a minimum percentage return on investments in the fund?
  - a. Yes { } No { }
  - b. If so, indicate the maximum return that you are willing to guarantee: \_\_\_\_\_
8. Do you have any clients that you are crediting a lower interest rate than their contract minimum guarantee?
9. Describe any restrictions to individual participant withdrawals made under your plan rules.
10. What events resulting in withdrawals that are not covered at book value. Include your policy on employer initiated events that trigger a payment other than book value and list the type of events included in this group.
11. Discuss exit provisions. Address how the market to book value variance will be handled should there be a termination of the contract prior to the end of the contract term. If this varies by product, please specify. For separately managed accounts, the State anticipates a contract with provisions to move the assets within 30 days. State any issues or concerns with this provision.
12. Please attach a copy of your standard wrap contract. Identify any exceptions you would be willing to negotiate.
13. If applicable, please provide your insurer financial strength rating (claims-paying ability) and credit rating, including rating history last five years. Include ratings from A.M. Best, Moody's Investors Service, Fitch, and Standard & Poor's.
14. Please provide your credit ratings history from all nationally recognized rating agencies that have rated your firm and your products over the past five years.

**Section B: For Firms Submitting Proposals for Investment Management Services (fixed income portfolios that are bundled in a stable value arrangement; either separately managed accounts and/or comingled vehicles). Questions are grouped into two subsections- investment management and wrap services. You must complete both for bundled products.**

**Investment Management Services:**

1. If selected, will you acknowledge in writing that you have an obligation as an investment management fiduciary of the plan for the duration of the contract, acting solely in the interest of the plan participants and beneficiaries of the retirement systems and SDIA?

2. In designing a stable value fund product for the State what is your firm's investment philosophy, approach and what investment guidelines would you propose? Provide attachments as needed.
3. Describe your firm's experience in managing the fixed income portion of stable value funds.
4. For firms submitting proposals for separately managed portfolios, describe your ability to customize portfolios to meet client needs.
5. How would you manage this account differently than your typical core fixed income account?
6. Complete the following table regarding exposure to various fixed income market segments and instrument types
  - a. If proposing a comingled trust(s), complete for each proposed product:
  - b. If proposing a separate trust, prepare for a product with similar guidelines to those you are recommending. Identify the product(s) and a plan sponsor contact(s).

% of Total Fund Assets Invested in:	Policy Min	Policy Max	Estimated (3/31/10)
Corporates			
Governments			
Mortgages			
Non-Investment Grade Bonds			
Non-Dollar Bonds			
<i>Derivatives:</i>			
Futures			
Options			
Currency Forwards			
Complex MBS derivatives			
Other (Specify)			
Average Duration			
Average Portfolio Quality			

7. For the products proposed for Vermont, describe how portfolio duration and maturity structure would be determined? What would you propose as the target duration for the total fund, and why?
8. For your existing products, have portfolio duration and underlying strategies changed significantly in light of the recent credit crunch and economic downturn? What lessons were learned and how would they apply to the State's portfolio?
9. Has your firm modified the structure of underlying market value strategies in response to pressure from wrap providers (i.e., reducing duration or RMBS exposure)?
10. What specific factors (duration management, yield curve positioning, sector selection, security selection, asset allocation, maturity structure) are integral to the portfolio construction process? What is the relative importance of these factors? Discuss the quantitative and qualitative processes utilized in portfolio construction.

11. Describe your buy/sell disciplines, including but not limited to factors that dictate your buy/sell decision, valuation approaches and circumstances that would cause your firm to deviate from these disciplines.
12. Describe the sources and processing of information used to manage the portfolio. What are the sources of information for this product? How are they unique?
13. Illustrate the investment process in a flow chart identifying the decision making steps, decision makers and outcomes. How would you communicate with the Treasurer's office staff and Trustee Boards with respect to decision-making?
14. Describe your ability to interact with plan third party administrators and custodians.
15. Discuss how you would handle daily liquidity needs.
16. How is portfolio risk defined, managed and monitored? Describe all risk management functions and tools utilized. Describe the risk controls used in the portfolio construction process (credit risk, yield curve risk, interest rate risk, default losses, debt option risk, liquidity risk, etc.). Describe any risk measurement models used and how this analysis is incorporated in the portfolio management process.
17. Do you use cash as a method of risk control? Indicate how much cash is generally held in the portfolio.
18. Describe your firm's brokerage policies relating to this fund. Is your firm or its parent or affiliate a broker/dealer? Does your firm trade for client accounts through this broker/dealer? If so, state how much trading, and the reason for trading with this related party.
19. Discuss your policy regarding, and current use of, "soft dollars", directed trades and recapture programs' soft dollars. What services are purchased with soft dollars? Attach a copy of your soft dollar policy.
20. Provide detail as to how the firm proposes to transition the current stable value fund. How long should this transition take? Discuss how you would meet daily liquidity needs for exchanges and withdrawals during the transition period.
21. If transitioning to a separately managed fund, would you consider "in kind transfer" or cash value transfer of assets? Describe any issues or considerations.
22. Discuss any liquidity restrictions you would impose on State participants who invest in this stable value product (e.g., equity wash).

**Wrap Services:**

1. Describe how you would propose to use wrap contracts for your proposed investment product. Discuss if you would wrap the entire portfolio, utilize step up provisions, use experience rated or experience rated wrappers and the rationale for your proposed approach. What considerations exist given the demographics of the fund and in light of the fact that it is closed to new contributions?

2. Please provide your proposed list of wrappers for this fund, their credit ratings and insurer financial strength rating history last five years. Include ratings from A.M. Best, Moody's Investors Service, Fitch, and Standard & Poor's.
3. State the proposed percentage of coverage provided by each wrapper for the proposed product.
4. Describe your firm's approach with regard to diversification of wrap managers. How has this changed in the current market environment? How would this apply to the SDIA fund?
5. Has your firm experienced any difficulties in accessing wrap capacity in the past five years? If so, how has your firm addressed this situation?
6. List all wrap providers actively wrapping your clients' accounts and provide the approximate dollar value exposure to each provider.
7. Do you have step-up provisions with your current wrap providers? If so, do you believe that wrap providers will continue to agree to these provisions in the future?
8. Describe your firm's quality standards review process for wrap products (insurance companies and banks). Include in your reply:
  - a. Steps you take to evaluate the financial strength of the insurance companies (capital ratios, financial ratings, invested assets, capital & surplus, etc) to assess liquidity and credit risks
  - b. How frequently are reviews conducted?
  - c. What other review and due diligence steps are taken?
  - d. Do you review wrapper contract terms to ascertain the plan is not exposed to undue risk, including withdrawal risk?
  - e. Specific analysis of wrap providers proposed for the SDIA fund
9. If a wrap provider were to default or become impaired, describe your remediation steps. Describe the frequency of wrapper defaults for portfolios managed by your firm.
10. How would decisions on changes to wrap contract configuration be made? Describe your understanding of the role of the State and the Trustee boards in this decision.
11. If the proposed stable value arrangement or wrapper is to be issued or guaranteed by the investment firm, its parent, or an otherwise affiliated company, describe steps taken to insure, to the State's satisfaction, that conflicts of interest do not exist and that the fiduciary duty of the investment manager is not impaired.
12. Discuss the procedures used to develop the crediting rate and provide the formula for the proposed crediting rate. Has this procedure changed within the past five years?
13. If submitting a bid for a comingled vehicle, what is the current crediting rate and the underlying yield on investment? If these differ by more than 50 basis points, why? When do you expect the crediting rate and yield to substantially correspond?

14. In addition to guaranteeing principal, are you willing to guarantee that participants will receive a minimum percentage return on investments in the Stable Value Fund?
    - a. Yes { } No { }
    - b. If so, indicate the maximum return that you are willing to guarantee: \_\_\_\_\_
  15. Will your firm negotiate a wrap agreement under which all investment losses and market value adjustments are absorbed by the wrap provider - not transferred to the State - if such losses cannot be recouped through the wrap reset rate?
  16. How often is the crediting rate reset?
  17. If proposing a separately managed fund, provide the historical crediting rate of a representative stable value product(s) for the past seven years. If proposing services for multiple investment products, provide representative historical rate for each. Identify the product(s) and a plan sponsor contact(s).
  18. If proposing a comingled fund(s), provide the historical crediting rate for this fund for the past seven years.
  19. If transitioning the current stable value portfolios to your product, how would you handle any variance between book and market value for crediting rate purposes? Describe any limits on the degree of variance or amortization period.
  20. Describe any restrictions to individual participant withdrawals made under your plan rules.
  21. What events resulting in withdrawals are not covered at book value? Include your policy on employer initiated events that trigger a payment other than book value and list the type of events included in this group.
  22. For comingled vehicles, describe your process for payout of the assets up to the 12 month put limit.
- **Section 3** – Proposed Value-Added Options – The State will consider any option proposed by the bidder as a value-added option that will substantially reduce costs, and improve efficiency of operations. This Section is optional (but desirable) in the bidder’s proposal.
  - **Section 4** – Assumptions and Exceptions – Identification of all assumptions that the bidder made in preparing its proposal as well as any exceptions that the bidder takes with regard to the requirements expressed in the RFP. This section must contain a list of **all** assumptions and exceptions, with a cross-reference to the specific section of the RFP to which the assumption or exception applies.

#### 4.5 Bidder’s Proposal PART III – Bidder References

The bidder shall provide a minimum of three (3) references. At least two must be for public sector clients. 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 IV – Cost**

**A. Please provide your proposed fees in the attached schedule:**

Cost proposal Stable Value Fund Composition			
Fee type	Category	Detail	Fee(bps)
Investment Advisory	Overall Stable Value fund management	Fixed income management fee	
	Overall Stable Value fund management	Cash buffer	
	Other (specify)		
	Other (specify)		
Operating	Benefit Responsive Contracts	Wrap fees	
	Benefit Responsive Contracts	Other (specify)	
	Other (specify)		
Total Fees			

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

**B. Additional Fees:**

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

Service \_\_\_\_\_ \$ \_\_\_\_\_  
 Service \_\_\_\_\_ \$ \_\_\_\_\_  
 Service \_\_\_\_\_ \$ \_\_\_\_\_

**C. Additional Information:**

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

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

## 5 BIDDER EVALUATION AND SELECTION CRITERIA

### 5.1 Bidder Evaluation

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

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

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

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

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

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

## ATTACHMENT A – STANDARD CONTRACT PROVISIONS

### STATE OF VERMONT STANDARD CONTRACT FOR 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 (Optional including Confidentiality Agreement)

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

by the **STATE OF VERMONT:**

by the **CONTRACTOR:**

Date: \_\_\_\_\_

Date: \_\_\_\_\_

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

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

Name/Title: \_\_\_\_\_

Name/Title: \_\_\_\_\_

Agency: \_\_\_\_\_

Firm Name

**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:**

- a. 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.
- b. 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.
- c. 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.
- d. 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.

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

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

**§1. STATEMENT OF PURPOSE**

A. The Boards of Trustees of the State Teachers' Retirement System of Vermont, the Vermont State Retirement System, and the Vermont Municipal Employees' Retirement System are entrusted with the investment of public pension funds of the retirement Systems and are obligated to safeguard the funds for the benefit of members and beneficiaries. The Trustees are obligated to administer the Systems efficiently and effectively in the interests of the plans' members and beneficiaries so as to avoid waste, mismanagement, abuse, and misuse of influence. The Trustees of these public pension Systems have a duty to administer and provide benefits in a responsible manner without causing an undue burden on their members or Vermont taxpayers.

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

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

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

**§2. AUTHORITY**

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

**§3. APPLICABILITY**

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

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

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

Where this code is more restrictive than any other applicable law, executive order or regulation, the stricter standards of this code shall apply.

**§4. DEFINITIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

§6. DISCLOSURE

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

B. Employees of a Board shall disclose all actual and potential conflicts of interest and appearances of a conflict of interest to the Board as soon as such actual or potential conflict or appearance of a conflict becomes known.

§7. RECUSAL

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

§8. TRAVEL, CONFERENCES AND MEETINGS

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

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

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

**§9. GIFTS AND GRATUITIES**

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

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

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

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

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

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

1. No Trustee shall have any direct or indirect communication about the bid or proposal with any Vendor or potential Vendor seeking such new or continued contractual relationship with the System except at an open meeting of the Board or an authorized subcommittee of the Board.
2. An Employee of the Board shall limit his or her direct or indirect communication about the bid or proposal with any Vendor or potential Vendor during this time period to that necessary for administration of existing contracts or in connection with administration of the bid or proposal process. All communications shall be documented by the Employee and maintained as a record of the Office of the State Treasurer.

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

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

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

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

**§11. SANCTIONS**

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

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

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

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

B. A Board of Trustees may take appropriate disciplinary action, up to and including dismissal, if an Employee of the Board fails to comply with the provisions of this rule.

*Effective Date: July 18, 2001*

\*\*\*\*\*

**Attachment 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.

**Individually identifying information:** Contractor must not use or disclose any individually identifying information that pursuant to this contract is disclosed by the State to the contractor, created by the contractor on behalf of the State, or used by the contractor for any purpose other than to complete the work specifications of this contract unless such use or disclosure is required by law, or when contractor obtains permission in writing from the State to use or disclose the information and this written permission is in accordance with federal and state law.

**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.*

**Prior approval/review of releases:** Any notices, information pamphlets, press releases, research reports, or similar other publications prepared and released in written or oral form by the contractor under this contract shall be approved/reviewed by the State prior to release. **Comment:** *All material published in connection with activities performed under State contract should be reviewed and approved by the appropriate official before release. When academic freedom becomes an issue, agency review but not agency approval may be appropriate.*

**Progress reports:** The contractor shall submit progress reports to the State according to the following schedule. [insert schedule] Each report shall describe the status of the contractor's performance since the preceding report and the progress expected to be made in the next successive period. Each report shall describe contractor activities by reference to the work specifications contained in Attachment A of this contract and shall include a statement of work hours expended, expenses incurred, bills submitted, and payments made. **Comment:** *This clause may be used either in Attachment A (Specifications of Work to be Performed) or here. It provides information for interim evaluation of the contractor's work and assists in detecting difficulties that may lead to necessary modification or cancellation of the contract. If payments are to be conditioned on receipt of progress reports, this should be clearly set forth in Attachment B: Payment Provisions.*

**Work product ownership:** Upon full payment by the State, all products of the contractor's work, including outlines, reports, charts, sketches, drawings, art work, plans, photographs, specifications, estimates, computer programs, or similar documents, become the sole property of the State of Vermont and may not be copyrighted or resold by contractor.

## ATTACHMENT B – CONFIDENTIALITY AGREEMENT

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

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

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

Date: \_\_\_\_\_ day of \_\_\_\_\_, 2010.

## ATTACHMENT C - SDIA PLAN SPECIFICATIONS AND DEMOGRAPHICS

### **Table of Contents**

1. Current Investment Guidelines for the SDIA Program
2. Book to Market Ratio
3. Historical Crediting Rate
4. Description of Fund Holdings (per custodian reports)
5. Portfolio Characteristics
6. Single Deposit Investment Account (SDIA) Plan Description
7. Audited Financial Statements, 2004-2009
8. Disbursement History
9. SDIA Demographic Data

## 1. Current SDIA Investment Policy and Guidelines

### Definitions:

Manager: fixed income manager

Owner: Treasurer's Office acting on behalf of the Vermont State Teachers and the State Employees' Retirement Boards

Company: current wrap provider

### Vermont State Teachers and State Employees' Retirement Boards Separate Fixed-Income Annuity

The Vermont Retirement Boards hereby issue the following policies and guidelines to the Investment Manager in the management of said assets:

**Quality:** At the time of purchase, all Securities must have an investment grade rating by at least two of the following rating agencies: S & P, Moody's or Duff & Phelps. The average quality of the portfolio must be AA or better.

Target Duration: 2.5-3 years, +/- 1 year.

ASSET CLASSES	2	MAXIMUM WEIGHTING
United States Treasury Obligations and Federal Agencies Backed by the Full Faith and Credit of the U. S. Treasury		100%
Other Federal Agency Obligations		100%
Asset-Backed Securities		40-50%
Mortgage-Backed Securities (MBS) (Generic Passthroughs GNMA, FHLMC, only)		50%
Collateralized Mortgage Obligations (CMO) (GNMA, FHLMC, FNMA Collateral)		50%
Short-Term Investments (Less Than 1 Year) (A1/P1)		30%
Corporates, No Less Than BBB (Investment Grade)		50%

In addition, temporary cash balances may be invested by the Manager in either the Manager's or the Owner's short-term commingled fund.

**Diversification:** No more than 5% of the Securities in the Account shall *be* from any one issuer. This restriction shall not apply to Securities issued by the U. S. Treasury, federally guaranteed agencies, MBS, or CMOs where the collateral is GNMA, FNMA, or FHLMC mortgage-backed securities.

### PERFORMANCE MEASUREMENT

The investment objective of the domestic bond portfolio is to produce a total return (time weighted rate of return), after fees, including any returns from short-term investments, that exceeds the Lehman Aggregate Index over rolling 3-year periods with less volatility than the Index.

The Owner and the Manager, in accordance with the Manager's Investment Advisory Agreement with the Owner, agree that the purchase of derivative instruments such as interest only or principal only Securities,

futures and options shall be subject to prior approval by the Company and shall in any event be for the express purpose of hedging rates and the imbedded risks in the Securities. The account shall not be leveraged and Securities shall not *be* purchased on a when-issued basis or for forward delivery beyond a maximum of 90 days. The Owner may participate in Securities lending.

## 2. Book to Market Ratio

The SDIA fund investments are managed through a stable value model. Currently there are two portfolios managed by two fixed income managers (Loomis Sayles and Dwight Asset management). As of March 31, 2010, the Loomis portfolio market to book ratio was 102.21%, with a net crediting rate of 3.795%. As of March 31, 2010, the Dwight portfolio market to book ratio was 98.65%, with a net crediting rate of 2.87%.

## 3. Historical Crediting Rate

Crediting Rate History For SDIA Portfolios					
Month	Loomis, Sayles & Company	Dwight Asset Management	Month	Loomis, Sayles & Company	Dwight Asset Management
5/1/2010	4.007%	2.780%	5/1/2008	4.984%	6.460%
4/1/2010	4.007%	2.900%	4/1/2008	4.984%	6.460%
3/1/2010	3.795%	2.870%	3/1/2008	5.392%	6.030%
2/1/2010	3.795%	3.160%	2/1/2008	5.392%	6.030%
1/1/2010	3.795%	3.160%	1/1/2008	5.392%	6.030%
12/1/2009	4.138%	3.500%	12/1/2007	5.464%	6.000%
11/1/2009	4.138%	3.610%	11/1/2007	5.464%	6.000%
10/1/2009	4.138%	3.820%	10/1/2007	5.464%	6.000%
9/1/2009	4.266%	3.720%	9/1/2007	5.595%	5.540%
8/1/2009	4.266%	3.000%	8/1/2007	5.595%	5.540%
7/1/2009	4.266%	2.000%	7/1/2007	5.595%	5.540%
6/1/2009	4.166%	2.000%	6/1/2007	5.615%	5.660%
5/1/2009	4.166%	1.550%	5/1/2007	5.615%	5.660%
4/1/2009	4.166%	2.190%	4/1/2007	5.615%	5.660%
3/1/2009	4.343%	3.160%	3/1/2007	5.610%	5.480%
2/1/2009	4.343%	3.140%	2/1/2007	5.610%	5.480%
1/1/2009	4.343%	4.000%	1/1/2007	5.610%	5.480%
12/1/2008	4.977%	4.220%	12/1/2006	5.207%	5.790%
11/1/2008	4.977%	4.220%	11/1/2006	5.207%	5.790%
10/1/2008	4.977%	6.020%	10/1/2006	5.207%	5.790%
9/1/2008	5.123%	6.410%	9/1/2006	5.193%	5.410%
8/1/2008	5.123%	6.410%	8/1/2006	5.193%	5.410%
7/1/2008	5.123%	6.410%	7/1/2006	5.193%	5.410%
6/1/2008	4.984%	6.460%			

#### 4. Description of Fund Holdings

SDIA Market Value of Investment Holdings as of March 31, 2010				
Asset Classification	Loomis, Sayles & Company	Dwight Asset Management	Short-Term for Benefits	Total
CMOs	4,161,590.19	4,176,675.28		8,338,265.47
Corporate Bonds	16,065,804.30	9,560,812.16		25,626,616.46
Credit Card receivable	1,212,304.89	430,498.09		1,642,802.98
FHLMC	2,904,599.28	6,323,080.67		9,227,679.95
FNMA	10,328,166.72	4,987,313.63		15,315,480.35
GNMA I		443,766.75		443,766.75
Government Issues	4,644,302.55	7,522,082.18		12,166,384.73
Municipals		191,032.70		191,032.70
Other Asset backed	221,002.51	1,552,775.77		1,773,778.28
Preferred Stock		30,480.00		30,480.00
Short-term cash	1,212,523.78	5,503,842.06	805,062.43	7,521,428.27
Foreign Currency		828.51		828.51
Total	40,750,294.22	40,723,187.80	805,062.43	82,278,544.45

#### 5. Portfolio Characteristics

The portfolios, at March 31, 2010, had the following characteristics:

Characteristic:	Loomis, Sayles & Company	Dwight Asset Management
Yield to maturity	3.29%	3.18%
Duration	3.62 years	3.31 years
Dollar Weighted Avg. Quality	Aa2	Aa1
Average Coupon	4.78%	4.71%
Average maturity	4.60 years	4.49 Years

## **6. Single Deposit Investment Account (SDIA) Plan Description**

The Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, was established according to the provisions of Public Act 41 of the 1981 Session. The Act authorized a new Group B noncontributory plan within the State Teachers Retirement System (STRS) and a new Group E non-contributory plan within the Vermont State Retirement System (VSRS). The SDIA is reported as a pension trust fund.

The STRS's members in the Group A contributory plan could elect to either remain in the Group A plan or transfer to the new Group B non-contributory plan. Group A members electing to transfer to the Group B plan had their choice between the following three options:

- have both their accumulated employee contributions and accumulated interest returned to them; or
- have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

The VSRS's members in the Group A contributory plan could elect to either remain in the Group A plan or transfer to the new Group E non-contributory plan. Group A members electing to transfer to the Group E plan had their choice between the following three options:

- have both their accumulated employee contributions and accumulated interest returned to them; or
- have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

No additional contributions could be made to the SDIA beyond those described above. Withdrawals from the SDIA may only be made to a participant or beneficiary after the member terminates active service, retires or dies. At June 30, 2009, there were 2,120 members, with net assets of \$79,699,986 in the Single Deposit Investment Account.

## **7. Audited Financial Statements**

Below are the financial statements for the fiscal years 2004 through 2009:

STATE OF VERMONT  
SINGLE DEPOSIT INVESTMENT ACCOUNT  
STATEMENT OF PLAN NET ASSETS  
(For Analytical Comparison)

	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004
<b>Assets:</b>						
Cash and short term investments.....	\$ 3,521,761	\$ 4,475,160	\$ 10,107,757	\$ 7,032,802	\$ 13,148,029	\$ 12,151,276
Receivables:						
Contributions - current.....	-	-	-	-	-	-
Contributions - non-current.....	-	-	-	-	-	-
Interest and dividends.....	649,302	574,821	648,364	1,721,292	2,790,288	962,090
Investments sold.....	1,236,325	4,112,227	-	-	-	-
Due from other funds.....	-	-	-	-	-	-
Other.....	-	-	-	-	-	-
<b>Total receivables.....</b>	<b>1,885,627</b>	<b>4,687,048</b>	<b>648,364</b>	<b>1,721,292</b>	<b>2,790,288</b>	<b>962,090</b>
Investments at Fair value:						
Fixed income.....	76,456,190	85,873,527	96,816,009	100,689,723	99,705,346	100,960,340
Common and preferred stock.....	30,840	565,650	-	-	-	-
Mortgages.....	-	-	-	-	-	-
Real estate and venture capital.....	-	-	-	-	-	-
Mutual funds.....	-	-	-	-	-	-
<b>Total investments.....</b>	<b>76,487,030</b>	<b>86,439,177</b>	<b>96,816,009</b>	<b>100,689,723</b>	<b>99,705,346</b>	<b>100,960,340</b>
Prepaid expenses.....	-	-	-	-	-	-
<b>Total assets.....</b>	<b>81,894,418</b>	<b>95,601,385</b>	<b>107,572,130</b>	<b>109,443,817</b>	<b>115,643,663</b>	<b>114,073,706</b>
<b>Liabilities:</b>						
Payable for investments purchased.....	2,194,430	11,027,296	18,295,600	15,862,514	14,726,541	12,471,125
Accounts payable.....	-	-	-	-	-	-
Accrued liabilities.....	-	-	-	-	-	-
Retainage payable.....	-	-	-	-	-	-
Due to other funds.....	-	-	-	-	-	-
<b>Total liabilities.....</b>	<b>2,194,430</b>	<b>11,027,296</b>	<b>18,295,600</b>	<b>15,862,514</b>	<b>14,726,541</b>	<b>12,471,125</b>
<b>Net assets held in trust for employees' pension benefits.....</b>	<b>\$ 79,699,988</b>	<b>\$ 84,574,089</b>	<b>\$ 89,276,530</b>	<b>\$ 93,581,303</b>	<b>\$ 100,917,122</b>	<b>\$ 101,602,581</b>

STATE OF VERMONT  
SINGLE DEPOSIT INVESTMENT ACCOUNT  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
For the Fiscal Year Ended June 30,  
(For Analytical Comparison)

	2009	2008	2007	2006	2005	2004
<b>Additions :</b>						
<u>Contributions</u>						
Employer.....	\$ -	\$ -				
Plan member.....	-	-				
Transfers from other pension trust funds.....	-	-				
Transfers from non-state systems.....	-	-				
<b>Total contributions.....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<u>Investment Income:</u>						
Net appreciation (depreciation) in fair value of investments.....	(2,545,458)	(177,201)	667,890	(4,583,335)	(78,969)	(3,271,092)
Dividends.....	6,703	-				
Interest income.....	4,185,836	4,552,492	4,895,955	5,102,626	5,068,760	5,191,670
Securities Litigation income.....	730	99,672	427,880			
Other income.....	5,537	6,049	16,999	44,787	469,063	
<b>Total investment income.....</b>	<b>1,653,348</b>	<b>4,481,012</b>	<b>6,008,724</b>	<b>564,078</b>	<b>5,458,854</b>	<b>1,920,578</b>
<b>Less Investment Expenses</b>						
Investment managers and consultants.....	(331,667)	(308,952)	(355,119)	(370,610)	(298,832)	(280,129)
Securities lending expenses.....	-	-				
<b>Total investment expenses.....</b>	<b>(331,667)</b>	<b>(308,952)</b>	<b>(355,119)</b>	<b>(370,610)</b>	<b>(298,832)</b>	<b>(280,129)</b>
<b>Net investment income.....</b>	<b>1,321,681</b>	<b>4,172,060</b>	<b>5,653,605</b>	<b>193,468</b>	<b>5,160,022</b>	<b>1,640,449</b>
<b>Total additions.....</b>	<b>1,321,681</b>	<b>4,172,060</b>	<b>5,653,605</b>	<b>193,468</b>	<b>5,160,022</b>	<b>1,640,449</b>
<b>Deductions:</b>						
Retirement benefits.....	6,195,782	8,874,501	9,958,378	7,529,287	5,845,481	6,826,052
Other Post employment benefits.....	-	-				
Refunds of contributions.....	-	-				
Death claims.....	-	-				
Transfers to other pension trust funds.....	-	-				
Depreciation.....	-	-				
Operating expenses.....	-	-				
<b>Total deductions.....</b>	<b>6,195,782</b>	<b>8,874,501</b>	<b>9,958,378</b>	<b>7,529,287</b>	<b>5,845,481</b>	<b>6,826,052</b>
<b>Change in net assets.....</b>	<b>(4,874,101)</b>	<b>(4,702,441)</b>	<b>(4,304,773)</b>	<b>(7,335,819)</b>	<b>(685,459)</b>	<b>(5,185,603)</b>
<b>Net assets held in trust for employees' pension benefits:</b>						
Beginning of year .....	84,574,089	89,276,530	93,581,303	100,917,122	101,602,581	106,788,184
End of year.....	\$ 79,699,988	\$ 84,574,089	\$ 89,276,530	\$ 93,581,303	\$ 100,917,122	\$ 101,602,581

## 8. Disbursement History

Upon retirement or termination of employment, plan members may leave the money on deposit, take periodic withdrawals, take a total refund, or take a total refund and roll it into another tax-sheltered program.

In the event of death, this account is payable to the designated beneficiary(s). Mandatory distributions must begin from this account at age 70 ½. The minimum distribution is calculated based on the member's account balance and age.

Benefit Payment Distribution History												
Distribution Type	3/31/2007		6/30/2007		9/30/2007		12/31/2007		3/31/2008		6/30/2008	
	Amount	Count	Amount	Count								
<b>Full Withdrawals</b>												
<b>Benefit Payment</b>												
Death	\$221,265	6	\$248,361	6	\$403,544	9	\$148,577	4	\$81,577	7	\$367,096	12
QDRO									\$20,245	1		
External Transfer-Qualified			\$14,852	1								
Retirement	\$27,539	3	\$65,012	1			\$88,345	2	\$64,891	2	\$49,701	3
Separation of Service	\$1,018,863	30	\$764,443	30	\$1,656,458	39	\$1,224,591	36	\$547,551	23	\$188,390	9
<b>Total</b>	<b>\$1,267,667</b>	<b>39</b>	<b>\$1,092,668</b>	<b>38</b>	<b>\$2,060,002</b>	<b>48</b>	<b>\$1,461,513</b>	<b>42</b>	<b>\$714,264</b>	<b>33</b>	<b>\$605,187</b>	<b>24</b>
<b>Partial Withdrawals</b>												
<b>Benefit Payment</b>												
Death	\$64,867	4	\$116,202	6	\$30,986	5	\$38,742	3	\$21,000	2	\$19,383	4
INSVCRETAGE												
External Transfer-Qualified			\$33,259	3			\$2,347	1				
Minimum Distribution	\$23,252	8	\$4,121	4	\$54,339	14	\$22,215	10	\$17,938	6	\$8,630	4
Retirement	\$8,000	2	\$5,362	1	\$46,629	4	\$91,739	2			\$49,000	4
Separation of Service	\$324,232	35	\$259,597	32	\$433,268	37	\$324,489	32	\$120,130	19	\$156,962	20
<b>Total Partial Withdrawals</b>	<b>\$420,351</b>	<b>49</b>	<b>\$418,541</b>	<b>46</b>	<b>\$565,222</b>	<b>60</b>	<b>\$479,532</b>	<b>48</b>	<b>\$159,068</b>	<b>27</b>	<b>\$233,975</b>	<b>32</b>
<b>Periodic Payments</b>												
Beneficiary Payment	\$47,589	6	\$7,561	2	\$85,142	15	\$92,216	17	\$39,157	5	\$26,738	3
Minimum Distribution	\$77,523	38	\$61,164	38	\$704,133	246	\$1,224,687	447	\$95,949	43	\$68,370	43
Retirement	\$34,593	13	\$32,201	14	\$75,150	20	\$88,323	21	\$54,039	21	\$41,901	19
<b>Total Periodic Payments</b>	<b>\$159,705</b>	<b>57</b>	<b>\$100,926</b>	<b>54</b>	<b>\$864,425</b>	<b>281</b>	<b>\$1,405,226</b>	<b>485</b>	<b>\$189,145</b>	<b>69</b>	<b>\$137,009</b>	<b>65</b>
<b>Grand Total</b>	<b>\$1,847,723</b>	<b>145</b>	<b>\$1,612,135</b>	<b>138</b>	<b>\$3,489,649</b>	<b>389</b>	<b>\$3,346,271</b>	<b>575</b>	<b>\$1,062,477</b>	<b>129</b>	<b>\$976,171</b>	<b>121</b>

Benefit Payment Distribution History														
Distribution Type	9/30/2008		12/31/2008		3/31/2009		6/30/2009		9/30/2009		12/31/2009		3/31/2010	
	Amount	Count	Amount	Count	Amount	Count	Amount	Count	Amount	Count	Amount	Count	Amount	Count
<b>Full Withdrawals</b>														
<b>Benefit Payment</b>														
Death	\$219,324	6	\$107,037	3	\$117,813	11	\$272,726	10	\$132,854	7	\$171,166	4	\$283,487	7
QDRO									\$216	1			\$2,037	1
External Transfer-Qualified														
Retirement	\$447,576	14	\$199,836	8	\$305,015	11	\$401,280	18	\$356,015	16	\$152,607	10	\$275,407	15
Separation of Service	\$183,345	8	\$119,650	6	\$36,751	5	\$110,072	5	\$284,197	7	\$17,122	1	\$63,050	4
<b>Total</b>	<b>\$850,245</b>	<b>28</b>	<b>\$426,523</b>	<b>17</b>	<b>\$459,579</b>	<b>27</b>	<b>\$784,078</b>	<b>33</b>	<b>\$773,282</b>	<b>31</b>	<b>\$340,895</b>	<b>15</b>	<b>\$623,981</b>	<b>27</b>
<b>Partial Withdrawals</b>														
<b>Benefit Payment</b>														
Death	\$2,104	1	\$467	1					\$79,361	1	\$1,020	1	\$16,000	1
INSVCRETAGE									\$15,956	1				
External Transfer-Qualified							\$6,389	1					\$1,335	1
Minimum Distribution	\$15,575	6	\$24,095	7	\$10,647	2	\$12,709	5	\$12,678	5	\$20,103	5	\$20,765	11
Retirement	\$146,454	15	\$98,468	16	\$112,582	13	\$103,279	15	\$128,817	14	\$151,664	20	\$101,993	15
Separation of Service	\$217,013	18	\$27,825	6	\$37,909	8	\$52,726	6	\$66,757	10	\$10,744	1	\$450	1
<b>Total Partial Withdrawals</b>	<b>\$463,876</b>	<b>44</b>	<b>\$177,569</b>	<b>31</b>	<b>\$210,885</b>	<b>29</b>	<b>\$180,259</b>	<b>29</b>	<b>\$312,530</b>	<b>33</b>	<b>\$184,131</b>	<b>28</b>	<b>\$223,204</b>	<b>32</b>
<b>Periodic Payments</b>														
Beneficiary Payment	\$90,316	14	\$122,046	18	\$41,491	6	\$26,960	3	\$100,137	15	\$129,634	18	\$40,179	8
Minimum Distribution	\$708,856	242	\$1,219,354	437	\$86,402	40	\$55,180	38	\$548,070	178	\$924,676	323	\$124,502	49
Retirement	\$79,347	27	\$87,115	26	\$78,223	30	\$49,292	26	\$81,428	34	\$88,630	32	\$89,568	36
<b>Total Periodic Payments</b>	<b>\$878,519</b>	<b>283</b>	<b>\$1,428,515</b>	<b>481</b>	<b>\$206,116</b>	<b>76</b>	<b>\$131,432</b>	<b>67</b>	<b>\$729,635</b>	<b>227</b>	<b>\$1,142,940</b>	<b>373</b>	<b>\$254,249</b>	<b>93</b>
<b>Grand Total</b>	<b>\$2,192,640</b>	<b>355</b>	<b>\$2,032,607</b>	<b>529</b>	<b>\$876,580</b>	<b>132</b>	<b>\$1,095,769</b>	<b>129</b>	<b>\$1,815,447</b>	<b>291</b>	<b>\$1,667,966</b>	<b>416</b>	<b>\$1,101,434</b>	<b>152</b>

## 9. SDIA Demographic Data

The following table represents plan participation by month. This includes full withdrawal activity and may vary with end of month count for 3/31/2010 as noted below.

<b>SDIA Plan Participation Data</b>	
<b>Quarter</b>	<b>Count</b>
6/30/2006	2,536
9/30/2006	2,451
12/31/2006	2,415
3/31/2007	2,376
6/30/2007	2,336
9/30/2007	2,336
12/31/2007	2,290
3/31/2008	2,247
6/30/2008	2,213
9/30/2008	2,190
12/31/2008	2,163
3/31/2009	2,147
6/30/2009	2,120
9/30/2009	2,086
12/31/2009	2,055
3/31/2010	2,042

<b>Age Distribution and Account Balances As of 3/31/10</b>			
<b>Age</b>	<b>Number</b>	<b>Total Account Balance</b>	<b>Average Account Balance</b>
47-50	16	57,859.34	3,616.21
51-55	112	1,206,301.18	10,770.55
56-60	345	6,195,344.86	17,957.52
61-65	428	12,881,446.19	30,096.84
66-70	331	16,298,587.44	49,240.45
71-75	216	13,622,094.20	63,065.25
76-80	203	14,441,316.05	71,139.49
81-85	202	10,377,057.94	51,371.57
86-90	139	5,920,579.97	42,594.10
91-95	33	929,854.90	28,177.42
Total	2,025	81,930,442.07	40,459.48
Smallest account =		0.00	
Largest account =		289,429.70	

Average age of account holder: 69.08 years

- End RFP -