



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

109 State Street, 4th Floor
MONTPELIER, VERMONT 05609-6200
802-828-2301
www.vermonttreasurer.gov

REQUEST FOR PROPOSAL

STATE OF VERMONT DEFINED CONTRIBUTION INVESTMENT, ADMINISTRATION AND RECORDKEEPING

DATE: **June 6, 2012**

QUESTIONS DUE BY: **June 20, 2012**

DATE OF BID OPENING: **July 9, 2012**

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

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

CONTACT: **Mr. JP Isabelle**
TELEPHONE: **(802) 828-1451**
E-MAIL: **jp.isabelle@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, 4th 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: **June 6, 2012**

REQUEST FOR PROPOSAL
THIS IS A SEALED BID RESPONSE
BIDS MUST BE RECEIVED BY **July 9, 2012**, at 2:00 P.M.

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

VERMONT TAX CERTIFICATE

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

In signing this bid, the bidder certifies under the pains and penalties of perjury that the company/individual is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont as of the date this statement is made.

Quotation Valid for _____ Days Date: _____

Telephone Number: _____

Name of Company: _____

Fax Number: _____

Federal Identification Number: _____

E-mail address: _____

By: _____

Name: _____

Signature (Proposal Not Valid Unless Signed)

(Type or Print)

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1 OVERVIEW

The following subsections provide general information about the RFP.

1.1 Executive Summary

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

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

1.2 Minimum Bidder Qualifications

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

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

1.3 Single Point of Contact

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

Name: Mr. JP Isabelle
Title: Executive Assistant
Vermont State Treasurer's Office
109 State Street, 4th Floor
Montpelier, Vermont 05609-6200
Telephone: 802-828-1451
FAX: 802-828-2772
E-Mail: jp.isabelle@state.vt.us

All e-mail communication with Mr. Isabelle must include the words "State of Vermont DC Plan Administration RFP" in the subject line. Email is the preferred form of communication.

Bidder's proposals, due by 2:00 PM for bid opening on July 9, 2012, are to be delivered and marked to the attention of Mr. JP Isabelle (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 Mr. Isabelle must include the words “State of Vermont DC Plan Administration RFP” in the subject line.

Response to questions will be posted to our Web site at www.vermonttreasurer.gov.

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:	June 6, 2012
QUESTIONS DUE BY:	June 20, 2012
ANSWERS TO QUESTIONS POSTED ON www.vermonttreasurer.gov	June 25, 2012
ALL PROPOSALS MUST BE SUBMITTED NO LATER THAN 2:00 P.M. Eastern Time ON:	July 9, 2012

1.6 Attachments to RFP

The state has provided the following information as attachments to the RFP:

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

2 SCOPE OF SERVICES

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

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

- Investment Options and Management – must include at least one investment option in all major asset classes, as well as “age-related, life-style” funds;
- Administration – support the administration of the plans by assisting with the processing of plan transactions;
- Recordkeeping – record the transactions in a timely and accurate manner;
- Communications – support investment education and communication services for participants; and
- Retirement Planning – provide retirement planning advice upon a member's retirement.

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

2.1 General Information

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

2.1.1 Eligibility and Participation

State of Vermont Plan

Each exempt State employee hired on or before December 31, 1998, was given a one-time opportunity to transfer from their State defined benefit pension plan to the new defined contribution retirement plan. The election to transfer, which was irrevocable, was effective January 1, 1999.

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

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

The State of Vermont Plan had a total of 643 participants and \$45,042,406 in assets as of 6/30/2011. Recent trend history is below.

Plan Statistics	Apr-12	Dec-11	Dec-10
Total assets	\$45,928,660	\$42,727,757	\$43,025,883
Total participants	644	656	599
YTD Employee contributions	\$222,286	\$680,468	\$641,264
YTD Employer contributions	\$542,605	\$1,712,309	\$1,660,394
YTD Withdrawals	\$1,259,079	\$2,024,600	\$2,371,933
YTD Net cash flow	(\$494,291)	\$445,896	(\$70,375)
Participation rate	n.a.	0.00%	0.00%
Deferral rate	n.a.	0.00%	0.00%
Median balance	\$39,096	\$35,466	\$44,981
Average balance	\$71,318	\$65,134	\$71,830
# single fund holders (excl. Lifecycle Fund)	65	70	73
Plan's Median Time-Weighted Cumulative Total Participant Return (1,3 & 5 years)**	1.6%, 12.0%	71.9%,	-2.7%, 4.0%
		43.7%,	14.1%, 19.0%
			-1.2%,

Vermont Municipal Employees' Retirement System (VMERS) Plan

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

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

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

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

The VMERS Plan had a total of 566 participants and \$16,049,454 in assets as of 6/30/2011. Recent trend history is below.

Plan Statistics	Apr-12	Dec-11	Dec-10
Total assets	\$16,770,759	\$15,162,653	\$15,630,889
Total participants	565	568	583
YTD Employee contributions	\$213,637	\$627,460	\$624,888
YTD Employer contributions	\$249,969	\$631,871	\$625,850
YTD Withdrawals	\$207,281	\$1,286,426	\$1,039,156
YTD Net cash flow	\$241,628	(\$58,028)	\$183,666
Participation rate	n.a.	0.00%	0.00%
Deferral rate	n.a.	0.00%	0.00%
Median balance	\$16,788	\$15,149	\$14,516
Average balance	\$29,683	\$26,695	\$26,811
# single fund holders (excl. Lifecycle Fund)	49	49	54
Plan's Median Time-Weighted Cumulative Total Participant Return (1,3 & 5 years)**	1.6%, 70.3%, 11.7%	-3.0%, 43.7%, 3.3%	14.0%, -2.2%, 17.9%

2.1.2 Plan Descriptions

State Plan:

Contributions:

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

Employer: The State makes a contribution to the plan on behalf of each participant of 7% of total pay, plus an additional 3% is set aside for administrative expenses of the plan, including health care for retirees. This amount is subject to change and is evaluated annually.

Vesting: Participants will always be 100% vested in their contribution. Employer contributions will be subject to a one-year-and-eleven-month-cliff vesting schedule. Service for vesting purposes will be credited based on each pay period for which an employer contribution is made. The participant will be 100% vested after he/she has made fifty bi-weekly contributions. The bidder should indicate in their response the ability to calculate vesting for employees under this schedule.

Municipal Plan:

Contributions:

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

Employer: Each participating municipality makes a contribution to the plan on behalf of each participant of 5.1 % of total compensation, 5% as an employer contribution and 0.125% for administrative expense.

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

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

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

Applies to Municipal and State:

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

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

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

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

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

The software package: Software modeling programs must be developed and made available to the Retirement Division for both plans that would allow staff to prepare a projection of benefits under both the applicable DB and DC plans to new hires to assist them in making an informed choice between the two plans. On-going maintenance and updates of the programs will be the responsibility of the selected bidder.

2.1.3 Voluntary Employee Salary Deferrals

The State makes available to all its employees, including the exempt employees eligible for the defined contribution plan, an IRC Section 457 plan. Many municipalities also offer the State 457 plan, while others offer 457 plans through separately contracted vendors. The state also offers a voluntary 403(b) program to eligible employees in school districts.

2.1.4 Additional Plan Features

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

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

2.2 Participant and Board Communication Services

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

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

On-going communication to eligible municipalities is an important goal in order to continue to expand the Vermont Municipal Employees' Retirement System's defined contribution plan. It is expected that the

selected bidder will provide an annual report of outreach activities and a plan for the coming year to attain the system's goal.

2.2.1 State and Participant Reports

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

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

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

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

2.3 Administrative, Recordkeeping and Investment Management Services

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

2.3.1 Summary of Activities and Responsibilities

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

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

<u>Activity</u>	<u>VT Treasurer's Responsibility</u>	<u>Selected Bidder Responsibility</u>
Accounts		X
Stale-dated Checks		X
Distribution Options		X
Annuity Options		X
Federal and State Tax Withholdings		X
1099R Tax Reporting		X
70 ½ Minimum Required Distributions (MRD)		X
Survivor Benefits		X

2.3.2 Participant Services

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

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

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

2.3.3 Recordkeeping

The selected bidder will be required to maintain records associated with a participant's account including, but not limited to, beneficiary, address, investment election and account balance information, including

contributions, earnings, administrative costs, if any, and any other information necessary for the proper administration of a participant's account.

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

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

2.3.4 Distributions

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

2.3.5 Investment Options

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

Fund	State			Municipal			Fund Exp. Ratio (%)
	% MV	# participants	\$ MV	% MV	# participants	\$ MV	
Lifecycle (Age Based)							
Fidelity Freedom Fund	0.5%	6	\$234,775.00	0.4%	9	\$74,528	0.46
Fidelity Freedom 2000 Fund	0.1%	1	\$39,994.00	0.4%	8	\$60,350	0.47
Fidelity Freedom 2005 Fund	0.6%	4	\$254,293.00	0.2%	5	\$40,254	0.58
Fidelity Freedom 2010 Fund	6.6%	40	\$3,033,538.00	5.7%	45	\$948,988	0.62
Fidelity Freedom 2015 Fund	2.4%	40	\$1,084,308.00	4.2%	28	\$709,530	0.63
Fidelity Freedom 2020 Fund	14.4%	104	\$6,617,813.00	14.0%	95	\$2,344,382	0.69
Fidelity Freedom 2025 Fund	3.1%	40	\$1,418,852.00	3.9%	45	\$659,270	0.73
Fidelity Freedom 2030 Fund	6.1%	96	\$2,810,489.00	12.7%	117	\$2,132,037	0.75
Fidelity Freedom 2035 Fund	2.3%	40	\$1,071,689.00	3.1%	35	\$523,946	0.77
Fidelity Freedom 2040 Fund	2.5%	64	\$1,151,795.00	3.9%	63	\$646,914	0.78
Fidelity Freedom 2045 Fund	0.9%	51	\$422,612.00	1.9%	30	\$320,289	0.79
Fidelity Freedom 2050 Fund	0.4%	27	\$179,758.00	1.3%	30	\$220,031	0.8
Stable Value							
Managed Inc Port	9.2%	108	\$4,245,240.00	9.5%	110	\$1,591,706	0.68758
Bond							
Fidelity Govt Inc Fund	0.0%	N/A		1.2%	24	\$201,633	0.45
PIMCO Total Return Fund Adm	7.3%	76	\$3,356,891.00	2.3%	42	\$390,560	0.71
PIMCO Total Return III Fund Instl	1.3%	12	\$614,407.00	0.0%	N/A		0.5
Vang Total Bond Market Index Fund	0.9%	9	\$403,417.00	0.2%	5	\$38,316	0.11
Balanced/Hybrid							
AF American Balanced Fund CL R4	3.9%	39	\$1,789,902.00	0.0%	N/A		0.65
Vang Balanced Index Fund Signal	0.5%	8	\$233,821.00	0.0%	N/A		0.12
Fidelity Puritan Fund	0.0%	N/A		2.5%	28	\$416,876	0.59
Large Value							
Fidelity Equity-Inc Fund	2.0%	46	\$933,284.00	2.7%	41	\$448,405	0.67
Large Blend							
Fidelity Dividend Gr Fund	5.6%	67	\$2,563,702.00	5.0%	54	\$835,625	0.96
SPTN 500 Index Fund- Fidelity Adv	7.4%	82	\$3,401,486.00	2.1%	25	\$352,154	0.07
Domini Social Equity Fund Inv	4.5%	71	\$2,073,185.00	1.3%	20	\$218,498	1.25
Mid-cap Blend							
Fidelity Low-Priced Stx Fund	4.2%	61	\$1,932,560.00	4.5%	39	\$757,973	0.96
SPTN Extended Mkt Index Fund	4.6%	82	\$2,111,766.00	0.1%	2	\$22,731	0.07
Small Blend							
Lord Abbett Sm Cap Val Fund CL A	4.0%	80	\$1,843,263.00	0.3%	7	\$51,341	1.23
Large Growth							
Fidelity Blue Chip Gr Fund	0.0%	N/A		8.2%	94	\$1,379,729	0.91
Small-cap Growth							
MS Instl Sm Co Gr Port CL P	0.0%	N/A		4.4%	76	\$733,741	1.3
International							
Fidelity Diversified Intl Fund	4.1%	87	\$1,899,020.00	3.3%	67	\$556,143	0.87
Columbia Acom Intl Fund CL Z	0.3%	14	\$141,943.00	0.6%	9	\$93,984	0.98
Vang Total Intl Stk Index Fund	0.1%	7	\$64,855.00	0.0%	1	\$826	0.18
Total Plan Assets			\$45,928,660			\$16,770,759	
Total Plan Participants			644			565	

Investments for the defined contribution plan should be designed in a manner that emphasizes a long-term approach to creating a secure retirement for plan members. Recognizing that investments will be subject to participant choice, important considerations will include participant education and communication services, as well as an investment structure that addresses risk and investment expenses in a prudent manner. Investment structures that promote a disciplined, diversified, long term strategic allocation are preferred.

Target retirement date or “life cycle” funds should be provided as well as are range of low cost investment options. The investment structure/design should encourage plan participants to apply a disciplined, long-term approach to strategic investment allocations consistent with the primary plan purpose of providing resources for retirement.

Proposed funds will also be evaluated on the basis of historical performance relative to benchmark and peer group, expense ratio, fund size, and stability of the fund’s portfolio management and parent organization, among other factors.

2.3.6 Plan Compliance

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

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

3 PROCUREMENT AND CONTRACTUAL ADMINISTRATION

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

3.1 Bidding and Contractual Requirements

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

3.1.1 Incurred Expenses

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

3.1.2 Public Records and Bidder Proprietary Information

All responses will become the property of the State of Vermont and will be a matter of public record. Pursuant to V.S.A. 1 §317(15), public records requests for information regarding this RFP will not be acted upon pending contract negotiations, and until a signed contract has been recorded by the State.

3.1.3 Member Confidentiality

The State expects the selected bidder to assure the confidentiality of its members' and retirees' records. Therefore, the selected bidder shall be required to execute a Corporate Agreement of Confidentiality upon contract award. In addition, all bidder staff members assigned to the contract in any capacity will be required to sign statements of confidentiality.

3.1.4 Pricing

The bidder must be aware the State wants the most effective combination of price, performance, and quality possible within the constraints of their budget. Pricing must include all expenses. There may be no best and final offer procedure. Therefore, the proposal shall be submitted on the most favorable terms that the bidder can provide.

3.1.5 Subcontracting

The State of Vermont will only enter into contracts with the primary contractor, and the State must approve any subcontractor contract in writing. The selected bidder must assume responsibility for subcontractor performance and payment. Subcontractors must abide by all conditions set forth in the contract with the primary contractor. The successful bidder will be expected to execute sub agreements for each subcontractor named in the proposal upon award of this contract. The bidder must provide a

brief description in the cost proposal in regard to the basis for selecting each subcontractor (low bid, competitive negotiation, technical capabilities, etc.). The bidder must provide subcontractor cost estimates in the bidder's cost proposal.

3.1.6 Doing Business in Vermont

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

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

3.1.7 Minority Business Enterprises

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

3.1.8 Duration of Proposal Offer

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

3.1.9 Revisions to the Solicitation

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

3.1.10 General Conditions

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

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

3.1.11 Contract Duration

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

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

4 PROPOSAL PREPARATION

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

4.1 Proposal Acceptance

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

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

4.1.1 Proposal Packaging and Required Copies

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

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

Contents of Response Cover Page

RFP title:	State of Vermont Defined Contribution Plans
RFP section:	Technical or Cost
<i>Closing date and time for submission of proposals: July 9, 2012, 2:00 pm.</i>	
Name, address, e-mail, and (voice) telephone number of firm submitting proposal	

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

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

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

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

4.2 Bidder's Proposal Part I -Administrative Section

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

4.2.1 Cover Letter

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

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

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

In addition, the cover letter must certify that:

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

4.2.2 Tax Certificate

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

4.3 Bidder's Proposal Part II – Bidder Information

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

4.3.1 General

1. 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.
9. Please provide an organizational chart for:
 - a. professional staff; and
 - b. corporate organization including parent, subsidiaries, affiliates, joint ventures and sub-advisories.
10. Provide a detailed summary of your firm's compliance process. Does your firm maintain a code of ethics? If so, please attach to your response.

11. Describe your business continuity/disaster recovery systems including:
 - a. Type of back-up facility for all primary systems used in providing the subject services to the State;
 - b. If back-up systems are provided by a third party, state the contractual guarantees for their services;
 - c. In the event of a disaster that disables all primary and back-up systems, state whether your firm has a recovery capability;
 - d. Describe the length of time and the procedures used to recreate one day's activity;
 - e. Describe plans in place to ensure communications with clients in the event of a disaster;
 - f. State how often the disaster recovery plan is tested and if there is an annual report; describe the results or include a copy of findings; and
 - g. During the last three tests, state how long it took to switch over to the recovery site and include test dates.

12. Is your company licensed to conduct business in the State of Vermont? If not, attach an opinion of counsel giving his or her opinion as to whether he or she anticipates any difficulties in obtaining all necessary licenses prior to the effective date of the contract. Do all your products and services comply with all federal and State of Vermont regulations? If not, specify. Is your company licensed in all states? If not, specify what states your company is not licensed to conduct business in.

13. From what location would these accounts be serviced?

14. Who would be the State's day-to-day contact?

15. Provide the names and biographies of key staff who would be assigned to the State's and VMERS' accounts.

16. For how many clients does your company currently provide the requested services? As of 12/31/11 provide the following information:

<i>Plan Size</i>	<i>All Defined Contribution Plans¹</i>	<i>All Governmental Defined Contribution Plans</i>	<i>Governmental 401(a) Plans</i>
Under 100 participants			
100-500 participants			
500-999 participants			
1000 to 4,999 participants			
Above 5,000 participants			
Total			

17. Provide the current number of plans for which your company provides retirement administrative services.

<i>Plan Size</i>	<i>All Defined Contribution Plans¹</i>	<i>All Governmental Defined Contribution Plans</i>	<i>Governmental 401(a) Plans</i>
Under \$50 million in assets			
\$50-\$100 million in assets			

\$101-\$250 million in assets			
\$251-\$500 million in assets			
More than \$500 million in assets			
Total			

¹ Defined contribution includes 457, 403(b) and 401(k) plans

18. Describe any conflicts of interest your company may have in providing defined contribution plan services to the State and VMERS.

4.3.2 Participant Communication Services

1. Describe three recent situations in which your company has conducted the participant communication of a defined contribution plan as a replacement or supplement to a defined benefit plan. Fully describe the communications approach and methods used.
2. Fully describe how your company intends to educate employees regarding all aspects of the plans and present all necessary information in an accurate and clear manner and fully disclose to each employee all costs and plan features, both positive and negative, so that each employee may determine whether he or she should elect the defined benefit or the defined contribution plan.
3. Describe what materials you would provide and how you would train State employees to conduct elections and enrollments. Provide relevant samples of all materials, including training and resource manuals. Indicate what software you would provide or license to the State. Describe its capabilities as well as the computer hardware that the State would need. Describe any licensing requirements you would impose.
4. Describe your company’s approach to investment education and asset diversification. What services and tools are available to educate participants? Provide a detailed listing of services, tools, seminars, and workshops. Provide samples, if practicable. Which approaches have you found to be most effective?
5. What type of support is provided to employees leaving the plan or who are in the process of retiring?

4.3.3 Reporting and Recordkeeping Services

1. Describe your company's recordkeeping system:
 - a. How long has your system been in existence?
 - b. Was the system initially purchased from an outside vendor? If so, from whom?
 - c. If your system was not purchased, when was it first put into place and last updated?
2. Describe your company’s processes relating to providing federal, state, and local tax reporting.
3. Describe your company’s processes relating to 1099 form processing and distribution.

4. Can your recordkeeping system separately maintain a split of employee required contributions, employee elective contributions and employer basic contributions? Describe your procedures and requirements.
5. Can your system calculate vesting? Describe any limitations. Can you provide administration for the proposed vesting schedule described? If not, describe under what alternatives your company can calculate vesting.
6. Can the system monitor §415 limits? Describe.
7. Please describe the edits your system will perform on contribution data
8. Does the system accommodate federal and state tax calculations (as appropriate)? Can it prepare a report detailing all necessary information regarding direct rollovers?
9. Describe the periodic management reporting that would be made available to the State and VMERS. What standard reports would be provided, and on what time period(s) would they be based? How are reports made available? How do you support ad hoc and customizable reports?
10. Provide samples of your standard reports
11. Describe in detail the plan sponsor on-line access with regard to plan management, reporting, and transactions. Can your system permit different levels of access for different staff levels and organizations?
12. What controls are in place to ensure that the plan is administered according to the plan provisions and that contributions are appropriately and timely made by local government employers?
13. Do you require contribution and employee data to be in a standard format?
14. Please describe the edits your system will perform on contribution data.
15. What controls are in place to ensure that the plan is administered according to the plan provisions?
16. Do you foresee any specific problems incorporating the State's or the VMERS' plans into your recordkeeping system? If so, describe in detail.
17. Please provide access to a demonstration web site for the RFP review team and staff to access and review.

4.3.4 Administration

1. Complete the following technology capabilities by indicating what services are included in the proposal.

Service	Telephone Customer Rep	Voice response	Internet	Other (Please Describe)
Custom greeting using client name				
Enroll in plan				
Make initial election selection				
Receive Plan information (e.g., contribution, transfer, and withdrawal rules)				
Receive fund performance and general information				
Account balance available by fund				
Account balance graphics available				
Transfer funds by percent				
Transfer funds by dollar amount				
Fees associated with investment options				
Change investment direction for future contributions				
Ability to rebalance account				

Service	Telephone Customer Rep	Voice response	Internet	Other (Please Describe)
Obtain distribution tax rules				
Initiate distribution				
Make personal information changes				
Make beneficiary changes				
Establish PIN				
Change PIN				
Reset PIN (lost/forgotten)				
Access last quarterly statement				
Access statements for participant-specified period				
Provide links to participant education				
Access to financial calculators and tools				
View pending transactions				
View transaction history				
Request literature				
Other (please specify)				

2. Describe:

- a. The account and balance information that would be available to participants through your company.

- b. Availability of Customer Service Representatives (e.g., days of the week, hours of the day)
 - c. Staffing and recruiting (number of total representatives, office location, minimum credentials, licensing, average tenure)
 - d. New hire and ongoing training
 - e. Team structure
 - f. Problem resolution
3. Describe your company's customer service center including locations and services.
4. Provide statistics for the past two years on response time including answer time, downtime, call abandonment rate,
5. How are personal identification numbers (PINs) handled? What other security measures are taken to ensure proper access to participant information?
6. Provide representative samples of employee aids for using your voice response system (i.e., brochures, maps, or other materials).
7. What controls are in place to ensure that participant transactions are in accordance with the plan provisions?
8. Will you accept participant forms to enact changes? If not, in what format do you require that this information be provided?
9. When will participant statements be mailed following each period end date? Provide a sample statement and indicate whether you would customize for the State. Provide your company's statement accuracy percentage, i.e., the percentage of statements that are not mailed on the normal mail date because of an unresolved discrepancy.
10. Describe your procedures for identifying and calculating age 70½ minimum distributions.
11. What participant investment education will be made available to the State? If so, please state any additional cost in the separate cost proposal. Also please provide samples of all employee communications materials you have available.
12. Upon receipt of plan contributions, how quickly would monies be allocated to and invested in the investment funds? Provide a timeline of contribution processing and the requirements that you will impose on the State. Provide the same information for participant elections for transfers of funds between available investment options.
13. Check Disbursement Process:
 - a. Describe, including turnaround time, check preparation, cut-off dates, etc.

- b. Will you accept verbal instructions? If yes, do written instructions need to follow?
14. Provide samples of descriptive payout option communication pieces that you would provide.
15. Briefly describe the plan level reports available for this account, and provide a sample of each.
16. How quickly after the close of the month are reports provided?
17. Describe the trustee services you will provide to the plan. Indicate whether these are full or directed trustee services. **In your PRICE PROPOSAL, indicate the cost savings if your company provided directed trustee custodial services instead of full trustee services.**

4.3.5 Investment Management Services

1. List the funds that you would provide for each plan (State and Municipal) based on asset categories and fund options currently offered. Are funds focused on “alternatives” or emerging markets available (e.g. real estate, commodities, etc.)?
2. If desired, you may also suggest alternative fund lineups for each plan. List the funds you propose under this alternative, their investment categories and describe why a fund of that type should be offered. Please provide a rationale for overall alternative lineup.
3. In providing fund line-ups under 1 and 2 above, please focus on an investment structure/design that will encourage plan participants to apply a disciplined, long-term approach to strategic investment allocations consistent with the primary plan purpose of providing resources for retirement. Please provide an explanation.
4. Please describe your recommendations regarding default investments for the fund line-ups in numbers 1 and 2 above. Provide details on the selection or replacement of funds within each option. Detail whether your proposed lineup includes funds from various fund families (open architecture), or only proprietary funds (closed-architecture). What is the rationale for your selection?
 - a. Please identify each of the investment options you propose.
 - b. For the options included in your response to “a.” immediately above, please distinguish between passive and active options and in the case of target retirement date or “life cycle” funds, the percentages allocated by asset class.
 - c. Please use the following format to summarize information for each underlying mutual fund that you propose to include in any of the target retirement date or “life cycle” funds or as an individual mutual fund investment option which you have identified in your response to “a” above.

Fund Name	Fund	Fund	Fund
Ticker			
Share Class to be Used			
Portfolio Manager(s)			

5. For each fund listed in numbers 1 and 2 above , supply the following information:
 - a. What was the fund's market value at December 31, 2009, 2010 and 2011?
 - b. Are daily valuations and daily transactions (e.g., investment transfers) available through the administrative and recordkeeping services?
 - c. Indicate those individuals who have managed the fund during the last ten years, the month/year that each left the fund, why each left, and a biography of the current manager(s).
 - d. Indicate the expense ratio or fee schedule for the fund, allocating the total fee to investment management, 12(B)1 fee, and all other. Indicate the total revenue sharing receivable by a plan administrator for each fund (in percent).
 - e. Describe any front-end or deferred sales charges associated with the fund. Are there any conditions under which these charges may be waived?
 - f. Supply calendar quarter and calendar year time-weighted total rates of return for the five-year period ending December 31, 2011. Supply annualized returns for the following periods: one, three, five and 10 (if available) years ending December 31, 2011. Indicate whether these returns are gross or net of fees.
 - g. Supply peer group rankings based on a comprehensive and appropriate peer group. Include as you are able Lipper rankings, Morningstar ratings, and other third-party-related information. Please rank with respect to both performance and risk for the time periods above.
 - h. Please confirm that the fund is currently open for new investors, and state any size limitations that the fund might have that could close it to new investors in the future.

6. For each equity fund, as well as the equity portfolio of the balanced fund, supply the following information:
 - a. Is the fund generally fully invested at all times, i.e., do securities always account for at least 90% of the funds value? If not, please describe how the commitment to cash may vary over a market cycle.

Please provide the following statistics:

	As of December 31, 2011	Average 2011	Average 2010
P/E Ratio ¹			
P/B Ratio			
Dividend Yield			

Median/Weighted Average Market Cap			
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¹ Indicate whether trailing or projected earnings

7. Please provide as detailed a description as feasible as to your firm’s overall pricing policy for use of the various groupings of funds. Please describe any overall limitations on the:
 - total number of funds that the plan could offer without additional charges
 - any maximum number of outside funds; and
 - any maximum number of no-load funds.

8. Please describe the ability of the Plan Sponsor (Treasurer or Municipal Retirement System Board) to make changes in investment options. Include but do not necessarily limit answers to the following questions:
 - a. May the Plan Sponsor make changes to the investment options?
 - b. If answer to a., above, is yes, how often may changes be made and is there a fee? Please describe frequency of allowed investment option changes and fees, if any.
 - c. Does the selection of different investment options cause any changes to fees payable to your firm as Plan Administrator? If so, please describe.
 - d. Please describe the scope of the services provided for changes to investment options such as communication to plan participants of new investment options, remapping, timing, etc.
 - e. Will your firm as Plan Administrator take full responsibility for implementation of investment options changes? Will your firm be financially responsible for any errors in implementing changes?

9. Both plans may from time to time require assistance in assessing alternative funds in current or new asset classes. Describe your firm’s capabilities relating to fund analytics including:
 - a. Performance and risk analytics
 - b. Analysis and due diligence on fund managers – firm and individuals
 - c. Use of internal and third party analytical resources
 - d. Ability to present fund analytics to State committees and Treasury Staff
 - e. Level of objectivity of fund analytics – can you survey, analyze and produce reports that include virtually all mutual funds with \$100 million or more assets under management and provide comprehensive peer group comparisons?

10. How would your firm/team communicate with the State and VMERS on underlying funds that need replacement due to performance or other issues?

11. Please describe how you designed the asset allocation for the target retirement date or “life cycle” fund investment options you have proposed. How have you integrated the notion of the risks, within your asset allocation decision?

12. Detail the team/personnel involved in the creation of target retirement date or “life cycle” funds and asset allocation decision. Is this a dedicated team, part of a larger department?

13. What is your investment target used when designing your target retirement date or “life cycle” funds asset allocation?

14. Please indicate how your approach to asset allocation has changed in response to 2008-2010 market volatility (even if your asset allocation has not changed please highlight how your thought process has been impacted).
15. Please describe how and when you will rebalance assets in target retirement date or “life cycle” funds.
16. Please describe the process by which you evaluate new asset classes for inclusion in target retirement date or “life cycle” funds.
17. Describe your due diligence processes for investment managers, both on a portfolio management and operational risk basis.
18. How do you monitor the underlying funds adherence to their investment style and process?
19. What was the last major change that was made to the asset allocation/structure of the target retirement date funds and why?
20. Describe the lines of communication between the proposed team servicing the State and VMERS, the team responsible for construction of the target retirement date funds (asset allocation) and investment managers for the underlying funds.
21. Can you default contributions to lifecycle or retirement date funds based on participant age? If yes, please describe.
22. Would the State and VMERS have access to the investment managers to address performance issues?
23. Provide the name, title, address, telephone, e-mail, and fax numbers of the contact person from your company whom we may contact with questions regarding the investment options you have proposed.
24. What is your policy regarding notifying and offering lower cost funds when the plan becomes eligible for them?
25. Provide your policies on excessive / late trading and redemption fees, and procedures to monitor these transactions and to enforce the policy guidelines.
26. Describe your policy on fee disclosures.
27. Will you provide reports of actual revenue received for plan administration services? Please describe the frequency? If not, please provide an explanation.

28. Explain all conditions, stipulations, and requirements regarding transfers among the investment funds and from the investment funds to the stable value fund/guaranteed account.

Guaranteed Account:

29. Disclose the underwriting insurance company or companies for your guaranteed account.
30. Provide the most recent credit ratings for the above underwriting insurance company. Indicate any ratings downgrades over the last three year period and reasons for the downgrade in credit ratings. Indicate your internal monitoring and safeguards regarding the credit rating of your fixed account provider. What additional areas do you monitor beyond credit ratings to ensure the continuing financial health of the underwriting insurance company?
31. Disclose your guaranteed account's inception date.
32. Describe the method of crediting interest (e.g., portfolio or blended rate). Describe how interest is credited for contributions, as well as the time period for which each rate is guaranteed.
33. What is the current interest rate being credited on current deposits?
34. As of the end of the most recent calendar quarter, what is the contractually guaranteed minimum long-term interest (floor) rate?
35. What are you currently crediting on prior deposits?
36. What expense ratio is associated with the fixed account? Identify the amount of revenue sharing that is made available to your company to offset your recordkeeping, administrative and service costs through this account.
37. Describe any restrictions or limitations with regard to timing or amount of transfers from the guaranteed account to the investment funds.
38. In the event of an employer-directed contract termination with your company, describe in detail the surrender or withdrawal charges or restrictions (including any market value adjustment) which would apply.
39. Indicate under what circumstances the surrender or withdrawal charge or restrictions would be waived.
40. Does your product allow same-day settlement for the guaranteed account?

41. If your product does not allow same-day settlement for the guaranteed account, what is the settlement period (e.g., T+1)?
42. Describe the liquidity of the guaranteed account, relative to employee-directed withdrawals, including any termination charges, transfer restrictions and the period of time over which the guaranteed account could be liquidated.
43. Indicate specifically if any surrender charge or withdrawal restriction is based on years of participation or contribution years (e.g., rolling charge).
44. Indicate under what circumstances the surrender or withdrawal charge or restrictions would be waived.

Stable Value Fund:

45. Provide the name of your stable value or cash fund.
46. Is the stable value fund structured as a pooled fund, an individually-designed fund, or a mutual fund?
47. For any synthetic GICs, provide the most recent credit ratings for the underwriting insurance company. Indicate any ratings downgrades over the last three year period and reasons for the downgrade in credit ratings. Indicate your internal monitoring and safeguards regarding the credit rating of your fixed account provider. What additional areas do you monitor beyond credit ratings to ensure the continuing financial health of the underwriting insurance company?
48. List all insurance wrappers and overlapping or step-up provisions.
49. Are there any minimum deposit requirements for the stable value fund?
50. Disclose the most recent quarter-ending, three-year, five-year, and ten-year performance (as of most recent quarter end).
51. If you are not proposing a mutual fund, provide a one-page overview along with latest quarterly performance.
52. Indicate the expense ratio (disclosing ALL associated expenses) associated with to this fund, as well as the types and amounts of revenue sharing to your company provided by this fund.
53. Describe any restrictions or limitations with regard to timing or amount of transfers from the stable value fund to the investment funds.

54. Describe the liquidity of the stable value fund with regard to employer-directed withdrawals, including any termination charges or restrictions.
55. Describe the liquidity of the stable value fund with regard to employee-directed withdrawals, including any termination charges or restrictions.
56. Describe the investments underlying the stable value fund.
57. Disclose the asset allocation of the stable value fund. List Investment Type and percentage allocation.
58. Is there any equity wash provision or other such restrictions to movement for fund participants?

4.3.6 Program options, Plan costs, and Plan performance

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

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

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

2. Plan Transition-In

- a. Please describe your implementation/transition-in plan for participant records, plan level administrative records, contributions and redemptions capabilities, etc. Provide estimates for the length of time for the transition and for person hours required from the State and VMERS. Provide a draft transition plan.
- b. What steps does your firm take to insure the timeliness and accuracy of a DC plan implementation/transition? In the event of a transition that does not occur according to an agreed upon plan, will your firm take responsibility for any and all economic losses to participants and sponsor?
- c. For the implementation/transition team assigned to the State, please provide an organizational chart of team members, years, and type of experience of each member, and biographies. How would the implementation/transition team and the ongoing relationship team interact and transition?

- d. What primary issues would your company raise as potential delays or problems to implementation/transition? What recommendations would be made to forestall or resolve potential problems?

3. Plan Transition-Out

Describe the reverse of transition-in, as applicable.

4.4 Bidder’s Proposal Part III – Bidder References

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

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

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

See Attachment D, *Cost Matrix*

4.5.1 Plan Costs/Performance Data

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

<u>Plan</u>	<u>#Participants</u>	<u>Total Plan Assets</u>
State	644	\$46 million
Municipal	565	\$17.0 million

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

For each cost proposal, please remap each of the plans’ assets in existing fund options to fund options that you are proposing. Please list the proposed funds and the remapped assets in the first two columns of the Cost Matrix. For each DC Plan, and for the two DC plans combined, please complete the table and provide totals where indicated. Please note that you may also list per participant fees (if any) and any other fees for administering the plans (if any) where shown, leading up to total fees at the bottom. If you are proposing an alternative fund line-up pursuant to Attachment C above, please complete a cost proposal for those funds as well.

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

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

All bidders must respond to this question:

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

4.5.2 Proposed Plan Performance

For each option proposed, please provide a plan level, weighted average rate of return back-tested for 1, 3 and 5 years through December 31, 2011, encompassing investment fund expenses only (i.e., the weighted average returns of the proposed plan's remapped assets, the performance of which as mutual funds will be net of fund fees). For 3 and 5-year periods, please assume **annual** rebalancing NOTE that this will not be the only assessment of proposed investment options. Proposed plan back-tested performance is one criteria for review. The State will be evaluating the entire mix of funds and supportive services with the intent to select a company that best meets the needs of clients. Other information provided in response to this RFP will be very important. Bidders are thus encouraged to consider all characteristics of a proposed fund and **not** just performance. If possible, also include a volatility percent (standard deviation) for the 3 and 5-year periods based on monthly fund/plan standard deviations.

4.5.3 Optional Cost Proposal

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

Additional Information:

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

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

5 BIDDER EVALUATION AND SELECTION CRITERIA

5.1 Bidder Evaluation

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

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

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

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

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

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

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

ATTACHMENT A – STANDARD CONTRACT PROVISIONS

CONTRACT FOR PERSONAL SERVICES

ATTACHMENT C: STANDARD STATE PROVISIONS FOR CONTRACTS AND GRANTS

1. **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 the Superior Court of the State of Vermont, Washington Division,

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

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, as amended 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 in all subcontract or subgrant agreements a tax certification in accordance with paragraph 13 above.

16. No Gifts or Gratuities: Party shall not give title or possession of anything 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.

(End of Standard Provisions)

ATTACHMENT B – CONFIDENTIALITY AGREEMENT

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

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

Signature: _____

Date: _____ day of _____, 2012.

ATTACHMENT D – COST MATRIX

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

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

Annual

Revenue Fund & Class	Post Sharing \$ Mapping Assets \$ mil.	Fund Management Fees %	Fund Other Total 12b-fees%	Fund Fees Fund Fees%	Total Fund fees \$ at PM Assets	Revenue Sharing %
Fund A						
Fund B						
Fund C etc.						
TOTALS	\$XX.XX mil.				\$XXX,XXX.00	
	\$XXX,XXX.00					

Add total per participant fees (if any) assuming _____ participants
\$XXX,XXX.00

Add any other fees (if any; specify type) _____ \$
XX,XXX.00

Total fees based on _____ participants and post map assets
\$XXX,XXX.00

-END RFP-