

**Stable Value Investment Management Services**  
**Vermont State Treasurer's Office**  
**April 5, 2012**

**QUESTIONS & ANSWERS**

**Q1) Will the State consider separately managed stable value portfolio proposals?**

A1) No, the State of Vermont is seeking a commingled fund as specified in Section 2.1 General Information:

*“The State is not soliciting proposals for:*

- o Directly guaranteed stable value funds that hold or invest in a single group annuity contract issued directly to the plan*
- o A separately managed fixed income fund wrapped with an insurance wrapper*
- o A separately managed account”*

**Q2) To help address question #21 in Section 2 regarding the proposed transition, can you please share with us the existing investments of the State of Vermont Stable Value Fund and the current market to book ratio of each investment? If there are any termination provisions regarding any of the contracts or vehicles used could those be shared as well?**

A2) SEI Stable Asset Fund. The State anticipates exiting a twelve month put from a commingled stable value fund and expects to invest cash. The market to book ratio is currently par.

**Q3) We would like to confirm that the State is only interested in proposals for a stable value collective fund?**

A3) See Answer 1 above.

**Q4) Can you clarify how the State would envision the contracts required duration (5 years) to work given an investment in a stable value collective trust fund would be subject to a 12 month put for any plan decision to terminate the investment?**

A4) If the Contractor's guidelines require a 12 month put option for any plan decision to terminate the investment, the State either would give the contractor notice 12 months prior to termination within the existing five year period, or would extend the contract. The contract does allow the option of extending the contract for successive periods if necessary although any extension will require a contract amendment.

**Q5) Can you help clarify how the State intended question #1 in Section 2 to be addressed given the commingled vehicle in which the State would be invested will be managed for the benefit of all investing plans and participants and not solely for any one such participant?**

A5) The State intends this to be construed for all plan participants and beneficiaries in the commingled fund including those in the State's 457 plan.

**Q6) Regarding section 3.1.5, Sub Contracting, how did the State envision this provision to be implemented given a Trustee of a commingled fund would continue to exercise sole management of the Fund and would not be able to provide any one plan an approval right for potential Sub Agreements?**

A6) Please read paragraph 15 in Attachment C carefully. If the proposer has any exceptions to the State contract provisions they should list them in writing with their proposals.

**Q7) Given the State would enter into a Participation Agreement with the selected commingled fund, would there be a need for some form of Sub-Attachment A to be executed as well? How would the State envision the required Participation Agreement be coordinated with any possible conflicts in Sub-Attachment A?**

A7) The State's intent is that the form of contract provided with the RFP is to be used for investment in commingled stable value funds. Please note that the form anticipates the attachment of, and will "wrap around," the contractor's fund documents. The RFP also notes that appropriate revisions will be made to accommodate fund structure and specific fund terms. The State and the State Pension Investment Committee have successfully entered into commingled fund investments with numerous vendors using this format. The State is willing to attach contractor documents to the executed contract, however the terms of such form will be subject to negotiation and subject to such of the provisions provided in the form attached to the RFP as may be applicable.

**Q8) Will the State accept proposal document files produced in Microsoft Word and Excel in Microsoft 2003 or 2010?**

A8) Yes, current versions are acceptable.

**Q9) Can you confirm that the Vermont Stable Value option will be made up of only one commingled stable value fund rather than multiple vendor funds?**

A9) The State is seeking a single contract with a single vendor. The underlying fund may contain multiple vendors, but the State only intends on entering one contract for a commingled fund.

**Q10) If in fact multiple vendor funds are to be used, can you confirm that the different vendor funds will be treated pro-rata for liquidity purposes?**

A10) Please see answer 9 above.

**Q11) Please explain any circumstances under which Vermont would be able to terminate the contract before 5 years.**

A11) The State requires that the contract can be terminated for any reason with 30 days notice. The State acknowledges that this could result in a payout less than par.

**Q12) Can you confirm that any decision by Vermont to exit the proposed Stable Value Fund would be subject to the terms of a 12-month put provision?**

A12) See Answer 11 above.

**Q13) Can you please confirm that the TPA will administer the competing funds restriction based on the wrap providers general definition of competing funds that include, but are not limited to, the below types of investment options?**

- a. Cash Management Funds, money market mutual funds, bank accounts or certificates of deposit, stable value funds or substantially similar investment options that offer guarantees of principal or income, such as guaranteed annuity contracts or similar arrangements with financial institutions.
- b. Short-term bond funds that invest in fixed income securities and seek to maintain or have an average portfolio duration of less than three years.
- c. Any investment option that invests 80% or more of its assets in (i) fixed income securities or funds with a duration of less than three years, or (ii) instruments that seek to provide capital preservation such as stable value funds, bank certificates of deposit or bank accounts, and cash or cash equivalents; and a self-directed brokerage account.

A13) The TPA is capable of administering the competing funds restriction based on the wrap providers' general definition of competing funds.

**Q14) Please identify any investment options that are "Competing Funds" and explain?**

A14) Please attach a list of wrapper considered competing fund restrictions with your proposal. Potential proposers should be aware that overly restrictive competing fund provisions will be viewed unfavorably by the State.

**Q15) Who is making the determination that a fund is or is not "competing" and what is the current definition of a competing fund that is being used?**

A15) See answer to 14.

**Q16) Can you confirm that the TPA will be required to enforce a 90-Day Equity Wash Rule?**

A16) See answer to 13.

**Q17) Are there any special circumstances in which the 90-Day Equity Wash Rule would not be enforced?**

A17) The State anticipates any special circumstances will be negotiable with the successful proposer.

**Q18) Please identify all terms that the TPA will subject participants to, when withdrawing or transferring out funds from the, e.g. 90-Day Equity Wash Rule.**

A18) See Answer to 13.

**Q19) Can you provide historical monthly cash flow information on a total net basis including its components, for example: contributions, withdrawals, and transfers, etc.?**

A19) The information provided for this plan will be limited to the materials provided in Attachment 4.

**Q20) Can you provide the demographics of all participants in the Vermont Stable Value Fund and whether or not they 100% invested in the fund?**

A20) See answer 19.

**Q21) In Sub-Attachment A.12, will the Contractor be required to provide counterparty exposures even though the State of Vermont Stable Value Fund will be only invested in units of the contractor's Commingled Stable Value Fund?**

A21) Any provisions or documentation to mitigate counterparty risk available to participants within the commingled fund should be provided to the State.

**Q22) Please confirm that there are no investment guidelines that will restrict the contractor's ability to manage the Stable Value Fund.**

A22) If the proposer has identified any specific concerns with the State's Standard Contract, State Statute, or for other reasons, these should be provided as specified in paragraph 15 of Attachment C.

**Q23) How will the third party administrator or other service providers be paid? Will the provider of the new stable value vehicle be required to unitize it for the TPA?**

A23) TBD.

**Q24) Can the State provide the current Stable Value fund holdings and wrap providers?**

A24) The current commingled vehicle is the SEI Stable Asset Fund. Proposers should contact SEI for information regarding the fund.

**Q25) Are the Standard Contract provisions set forth at Attachment 1 (and the sub-attachments thereto) required if VERS invests in a mutual fund/commingled fund? Generally, the organizational and disclosure documents of a mutual fund/commingled fund set forth the terms and conditions associated with an investment therein, and the mutual fund/commingled fund may not vary such terms and conditions among investors.**

A25) See answer 7.

**Q26) Could the Standard Contract provisions set forth in Attachment 1 (and the sub-attachments thereto) be incorporated into a fee agreement, pursuant to which the sponsor or other affiliated party of the mutual fund/comingled fund makes payments for administrative, recordkeeping, or other services?**

A26) See answer 25.

**Q27) We believe a standard investment contract, as required by the State of Vermont, is generally used for a separately managed account and that a commingled stable value fund is typically required to adhere to the Declaration of Trust and Investment Guidelines established for each fund. Would the State of Vermont be willing to sign a standard Form Participation Agreement in lieu of your standard investment contract?**

A27) See answer 25.

**Q28) Would the State be amiable to entertaining proposals for non co-mingled custom stable value funds?**

A28) See answer 1.

**Q29) What is the current portfolio structure, i.e. separate account or commingled fund?**

A29) Commingled fund.

**Q30) Could you provide a list of the current wrap providers for the existing SDIA accounts, the amount they wrap, MV/BV, and the current crediting rates by issuer?**

A30) The current investment is ICMA-RC Vantage Trust Plus Fund

**Q31) Have the current wrap providers agreed to transfer capacity to a new manager?**

A31) No

**Q32) Could you provide the number and account balance for active participants versus inactive participants, including the age and asset allocations for active participants?**

A32) See answer 19.

**Q33) In section 2.1, General Information, the State notes that it is seeking a commingled stable value fund proposal; would a portfolio of commingled fixed income funds (which would deliver diversification and economies of scale) delivered as a separately managed stable value account (which would require individually negotiated wrap contracts) be considered?**

A33) See answer 1.

**Q34) Question 21 on page 18 asks for a transition plan for moving the assets from the existing fund to the new fund. Will the assets be moving over in cash or in kind?**

A34) See answer 2.

**Q35) Question 6 on page 15 asks for data “Year Ending June 30”. Is this accurate or will data ending December 31 be sufficient?**

A35) The State will accept year ending December 31<sup>st</sup> information for Question 6 on page 15.