



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

VERMONT PENSION INVESTMENT COMMITTEE INVESTMENT CONSULTANT

DATE: **Monday, March 3, 2014**

QUESTIONS DUE BY: **Monday, March 17, 2014**

ANSWERS POSTED BY: **Monday, March 24, 2014**

DATE OF BID OPENING: **Monday, March 31, 2014**

TIME OF BID OPENING: 3:00 P.M. Eastern Time

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

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



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SEALED BID INSTRUCTIONS

All bids must be submitted as one (1) zip file containing the appropriate Microsoft Word, Excel, and Project files to comprise a full proposal set. The bidder must submit their technical proposal and cost proposals as separate files within the one (1) zip file. The proposal for this RFP must be emailed to the point of contact identified in Section 1, Single Point of Contact.

All bidders are hereby notified that proposals must be in the point of contact's email box by the time of the bid opening. The State reserves the right to accept or reject any and all bids, in whole or in part, with or without cause and waive any irregularities at its sole discretion.

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 by posting the change of date to the State Treasurer's website.

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



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109 State Street, 4th Floor
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DATE: **February 28, 2014**

REQUEST FOR PROPOSAL

THIS IS A SEALED BID RESPONSE

BIDS MUST BE RECEIVED BY **Friday, March 28, 2014** at 3:00 P.M. Eastern Time

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 **120 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 Pension Investment Committee (VPIC), acting on behalf of the Boards of Trustees of the Vermont State Employees' Retirement System (VSERS), State Teachers' Retirement System of Vermont (VSTRS), and Vermont Municipal Employees' Retirement System (VMERS), and the City of Burlington Vermont Employee Retirement System (BERS), through the Office of the State Treasurer, hereafter known collectively as the Vermont Retirement Systems (VRS) or the State, is seeking proposals from qualified firms to provide comprehensive full-retainer, general investment consulting advice and services.

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

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

The VPIC is charged with oversight of the investments of a pooled pension fund for multiple retirement defined benefit systems plans (VSTRS, VSERS, and VMERS and a portion of the assets of BERS.). The primary objective of the VPIC is the maximization of investment returns within acceptable levels of risk through a broadly diversified investment portfolio.

1.2 Minimum Bidder Qualifications

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

- The bidder must provide full retainer investment consulting services to clients with aggregate assets totaling at least \$25 billion, with at least one public sector client with assets of at least \$3 billion, and demonstrate a minimum of five (5) years of experience in public pension fund consulting for similar size/type plans.
- The primary consultant assigned to the Vermont accounts must have a minimum of seven (7) years of experience providing investment consulting services to public pension fund plans. The primary consultant listed and one other consultant, with at a minimum five (5) years of experience providing investment consulting services to public pension fund plans, must be in attendance at required meetings as outlined in the "scope of services" section.

1.3 Plan Specifications

As of December 31, 2013, the pension funds had assets that totaled approximately \$3.83 billion, comprised of four (4) pension retirement systems as follows: VSTRS with \$1.64 billion of assets, VSERS with \$1.55 billion, VMERS with \$487 million, and BERS with \$144 million. Vermont utilizes a master custodian, JPMorgan Chase Bank, to provide a variety of custody, record keeping, securities lending, and cash management services.

The VPIC asset allocation profile with target weights and actual allocations as of December 31, 2013 follows:

State of Vermont
Office of the State Treasurer

Asset Class	Asset Sub-Category	Allocation	Manager Fund Name	Manager Target	Actual on 11/30	Planned as of 12/31	
Equity	Large Cap	10.3%	T. Rowe Price	3.0%	3.1%	3.1%	
			SSgA Equal Wgt	2.7%	2.8%	2.8%	
			SSgA Cap Wgt	4.7%	4.9%	4.8%	
					10.3%	10.8%	10.7%
	Mid Cap	2.5%	Champlain Partners	2.0%	2.2%	2.2%	
			SSgA S&P 400 Mid-Cap Index	0.5%	0.6%	0.6%	
					2.5%	2.8%	2.8%
	Small Cap	3.3%	Wellington	2.0%	2.2%	2.2%	
			SSgA Russell 2000 Gr	1.3%	1.4%	1.4%	
					3.3%	3.6%	3.7%
	International	9.3%	Acadian	4.0%	4.3%	4.2%	
			Mondrian	4.0%	4.1%	4.1%	
			SSgA ACWI Ex-US	1.3%	1.5%	1.5%	
	Emerging Market	6.0%	Aberdeen (hard close)	6.0%	6.2%	6.2%	
				15.3%	16.1%	16.1%	
Total Equity	31.5%			31.5%	33.3%	33.2%	
Fixed Income	Diversified Bonds	18.0%	PIMCO Core Plus	6.5%	6.4%	6.4%	
			PIMCO Unconstrained Bond	6.5%	6.3%	6.3%	
			Allianz	2.5%	2.5%	2.5%	
			Wellington DAS	2.5%	2.5%	2.5%	
					18.0%	17.6%	17.6%
	High Yield Bonds	4.0%	Guggenheim	3.0%	3.1%	3.1%	
			KDP Asset Management	1.0%	1.0%	1.0%	
					4.0%	4.1%	4.1%
	Global Bonds	3.0%	Mondrian GFI	3.0%	3.0%	3.0%	
					3.0%	3.0%	3.0%
	Emerging Market Debt	5.0%	Wellington EMD (hard close)	5.0%	5.0%	5.0%	
				5.0%	5.0%	5.0%	
	TIPS	3.0%	Barclays TIPS	3.0%	2.9%	3.0%	
				3.0%	2.9%	3.0%	
	Total Fixed Income	33.0%			33.0%	32.5%	32.6%
Alternatives	Real Estate	4.5%	Various Managers	4.5%	4.7%	4.7%	
	Private Equity	2.0%	HarbourVest Partners IX: Credit Opportun	0.1%	0.0%	0.0%	
			HarbourVest Partners IX: Buyout	0.6%	0.1%	0.1%	
			HarbourVest Partners IX: Venture	0.3%	0.1%	0.1%	
			Dover VIII	0.7%	0.2%	0.2%	
			International HarbourVest	0.3%	0.0%	0.0%	
	Hedge Funds	5.0%	Grosvenor	2.0%	2.0%	2.0%	
			Permal	2.0%	2.0%	2.0%	
			GAM	1.0%	1.0%	1.0%	
	Commodities	4.0%	Schroders	4.0%	3.7%	3.7%	
	Total Alternatives	15.5%			15.5%	13.8%	13.8%
Multi-Strategy	Risk Parity	8.0%	AQR	8.0%	8.0%	8.0%	
	Global Asset Allocation	12.0%	PIMCO All Asset	6.0%	6.0%	6.0%	
			Wellington GAA	4.0%	4.2%	4.2%	
			Mellon GAA	2.0%	2.1%	2.1%	
Total Multi-Strategy	20.0%			20.0%	20.3%	20.4%	
Cash	0.0%			0.0%	0.0%	0.0%	
Grand Totals	100.0%			100.0%	100.0%	100.0%	

*\$65mm was allocated to Private Equity, as voted by the YPIC board on May 22, 2012. \$10mm will be allocated to an International HarbourVest fund

1.4 Single Point of Contact and Bidder Questions

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

Name: Katie Green
Title: Investments Manager
Vermont State Treasurer's Office
109 State Street, 4th Floor
Montpelier, Vermont 05609-6200
Telephone: 802-828-3708
FAX: 802-828-2772
E-Mail: Katie.Green@state.vt.us

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

1.5 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 the point of contact must include the words “**VPIC Investment Consultant RFP**” in the subject line.

Response to questions will be posted to our website at www.vermonttreasurer.gov/rfps. All questions submitted must include the name of the firm and the person submitting the questions with contact information.

1.6 RFP Timetable

RELEASE DATE OF THE RFP:	Monday, March 3, 2014
QUESTIONS DUE BY:	Monday, March 17, 2014
ANSWERS TO QUESTIONS POSTED ON www.vermonttreasurer.gov/rfps	Monday, March 24, 2014
ALL PROPOSALS MUST BE RECEIVED NO LATER THAN 3:00 P.M. Eastern Time ON:	Monday, March 31, 2014

1.7 Attachments to RFP

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

- **Attachment 1** – Standard Contract Provisions
- **Attachment 2** – Cost Matrix
- **Attachment 3** – VPIC Investment Policies

2 SCOPE OF SERVICES

The selected firm(s) will assist the VPIC by providing general investment consultant services in the on-going process of investment policy development and implementation, including but not limited to those duties outlined in the *Services Requested section 2.2* and perform other consultant responsibilities as assigned.

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

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

The selected investment consulting firm will report to the VPIC and will functionally work closely with the VPIC and staff of the Office of the State Treasurer. That staff will include: State Treasurer, Deputy State Treasurer, Director of Investments, Cash and Investment Manager, Investments Manager, Investments Analyst and the Attorney General's office supplying Legal Counsel. The selected firm will demonstrate extensive experience and superior capability for providing investment consulting services to a large public pension system. At a minimum, two consultants must be assigned to this account, at least one of whom shall be an equity partner of the firm. It is expected that the selected firm will provide independent, objective, creative and proactive input into its decision-making process.

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

2.1 General Information

The VPIC is comprised of six members, a non-voting chair elected by the members, and four alternates. Below is the VPIC organizational chart and investment governance overview:

Vermont Pension Investment Committee

Board of Trustees

Stephen Rauh, Chair
Elizabeth Pearce, State Treasurer, Vice-Chair
Joe Mackey, VSTRS Representative
Robert Hooper, VSERS Representative
Tom Golonka, VMERS Representative
Dick Johannesen, Governor's Appointee
Vaughn Altemus, Governor's Appointee

Alternates

Linda Deliduka, VSTRS Representative
Kevin Gaffney, VSERS Representative
Karen Paul, Governor's Appointee
Steven Jeffrey, VMERS Representative

Treasurer's Staff

Elizabeth Pearce, State Treasurer
Stephen Wisloski, Deputy State Treasurer
Matthew Considine, CFA, Director of Investments
Dan Currier, Cash & Investment Manager
Katie Green, Investments Manager
Vacant, Investments Analyst

VPIC Investment Consultant

Attorney General's Office (Legal Consultant)

VPIC Custodian

JPMorgan Chase Bank

Entity	Policy and Implementation Responsibilities	Oversight responsibilities
VPIC	<p>Approves:</p> <ul style="list-style-type: none"> • Policies and procedures, including standards of conduct • Investment policy, including asset allocations and risk tolerances • Custodian, investment manager, consultant and other service provider appointments 	<p>Reviews:</p> <ul style="list-style-type: none"> • Effectiveness and continued appropriateness of investment policies, including asset allocations • Total returns relative to objectives • Asset class and manager performance
Treasurer's Office Staff	<ul style="list-style-type: none"> • Serves as custodian of the VPIC assets • Manages day-to-day operations of the VPIC <p>Recommends:</p> <ul style="list-style-type: none"> • Long term investment policy, investment objectives and strategy, credit quality appropriate indexes and rebalancing policies • 	<p>Reviews:</p> <ul style="list-style-type: none"> • Investment Consultant asset liability study and annual report on expected rate of return based on capital models, benefit payments and cash flows • Internal control • Investment manager contractually-required reporting • Proposed policies and procedures
Investment Consultant	<p>Delivers:</p> <ul style="list-style-type: none"> • Asset liability study and annual report <p>Recommends:</p> <ul style="list-style-type: none"> • Appropriate modifications to investment policies, including asset allocations • 	<p>Reviews:</p> <ul style="list-style-type: none"> • Investment manager performance and operational controls

The primary objective of the VPIC is to strive to maximize the total return on investment, within acceptable levels of risk for public retirement systems, in accordance with the standards of care established by the prudent investor rule under 14A V.S.A. §902. Specifically, in making investments for the Retirement Systems the members of the VPIC shall exercise “reasonable care, skill, and caution” and “invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust.” Specific responsibilities include:

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

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

Actuarial valuation remains the responsibility of the individual pension system boards. The setting/revision of the actual assumptions rests with the retirement boards, with the exception of the assumed return of investments, which requires joint review and approval by the retirement boards and VPIC. Subsequent to actuarial valuation and liability studies being completed and approved by system boards, the VPIC has the responsibility for investment asset allocation for each system and investment of funds.

2.2 Services Requested

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

2.2.1 Investment Policy

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

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

2.2.2 Asset Liability Study

The selected firm will work in consultation with the State's pension consulting actuary to provide input into the actuary's recommended assumed return on investments. Our current actuary uses a proprietary model to estimate individual asset class returns and forecast a recommended rate of return for valuation purposes. It is expected that the selected firm will work with the actuary to develop an independent review using its own model and participate in a joint review with the retirement boards and VPIC.

Complete an asset liability study for each system. Historically these studies have been completed after the experience study has been performed by the consulting actuary (appointed by the VRS) once every five years by statute, but earlier if deemed appropriate by the retirement boards. The asset liability study will:

1. Project pension liabilities and benefit payments;
2. Generate multiple asset allocation options of portfolios on the efficient frontier for VPIC review and decision-making;
3. Recommend risk tolerances;
4. Establish a risk adjusted rate of return for various asset allocation options on an intermediate-term (5-7 years) and long-term horizon (30 years);
5. Assess appropriateness of the current asset allocation policy; and

6. Project investment return and asset levels, and assess funding status and contribution adequacy.

The study should detail not only the expected levels of these results but also their possible ranges and probabilities under a variety of asset allocations and scenarios over an intermediate-term and long-term horizon.

2.2.3 Asset Allocation Plan

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

1. Provide a report on asset allocation modeling (including methodology and specifics including but not limited to asset class specific standard deviation, asset class specific expected return, correlation between asset classes and covariance between asset classes) linked to funding and liability management;
2. Provide an analysis of the investment characteristics of available asset alternatives;
3. Make recommendations for modifications to the statement of investment policy; and
4. Make recommendations for an optimum asset allocation for the fund based upon all of the foregoing, including a methodology (and a time table) for achieving such asset allocation.

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

2.2.4 Asset Allocation and Portfolio Review

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

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

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

2.2.5 Investment-Related Vendors and Managers Search and Selection

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

2.2.6 Manager Oversight

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

2.2.7 Performance Measurement

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

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

In addition, the selected firm shall:

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

2.2.8 Portfolio Risk Management

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

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

2.2.9 Training, Education, and Client Relationship Duties

Attend monthly VPIC and other special meetings pertaining to investments. Additional meetings per year may also be requested. Coordinate effectively with the Treasurer's Office staff, actuary and the custodian bank. Provide investment education and training on a periodic basis to the VPIC. Respond to inquiries between meetings in an appropriate and timely manner. Attend a conference call two weeks prior to the VPIC meeting at the direction of the VPIC Chair to discuss the upcoming meeting and coordinate with the Treasurer's Office staff regarding the materials to be made available and the topics to be discussed at the meeting. Upon request of the VPIC or staff, provide ongoing research, analysis, and advice on specific investment issues. Share all firm research, including white papers, and provide access to research staff. Consultant staff may be required to prepare data, including reports stating the consulting firm's opinion on a stated topic, and/or appear before legislative bodies as requested by the VPIC.

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 and waive any irregularities at its sole discretion. 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 1 V.S.A. § 317(c)(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. If the response includes material that is considered by the bidder to be proprietary and confidential under 1 V.S.A. § 317(c)(9), the bidder shall clearly designate the material as such, explaining why such material should be considered confidential. The bidder must identify each portion of the response that it believes is proprietary and confidential with sufficient grounds to justify each exemption from release, including the prospective harm to the competitive position of the bidder if the identified material were to be released. Under no circumstances can the entire response or price information be marked confidential. Responses so marked may not be considered.

3.1.3 Member Confidentiality

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

3.1.4 Pricing

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

3.1.5 Subcontracting

The State of Vermont will only enter into contracts with the primary contractor, and the State must approve any subcontractor contract in writing (See ATTACHMENT 1, sub-Attachment C #13). The selected bidder must assume responsibility for subcontractor performance and payment. Subcontractors must abide by all conditions set forth in the contract with the primary contractor. The successful bidder will be expected to execute sub agreements for each subcontractor named in the proposal upon award of

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

3.1.6 Doing Business in Vermont

The bidder awarded this contract shall, upon notification of award, apply for registration with the Vermont Secretary of State's Office to do business in the State of Vermont, if not already so registered. The registration form may be obtained from the Vermont Secretary of State, 128 State Street, Montpelier, VT 05633-1101. The telephone number is (802) 828-2363. 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 1), attached to this RFP, which is required to execute after the specific details of the transaction have been inserted. Any objections, or requested changes to the standard form language must be provided with the bid, or they shall be waived by the bidder.

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/rfps 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 1), for a term of two years with two one-year extensions.

The contract must be subject to termination prior to the expiration without cause. Any expected up-front costs must be identified. The State is willing to consider payment of unamortized up-front costs in the event of termination of the contract before the end of the initial two-year contract term by the State for reasons other than for cause. The schedule under which your company will determine the unamortized

up-front costs must be provided. If the State terminates the contract for cause, the State may, at its discretion, require monetary damages. The terms and extent of these damages will be negotiated with the finalist. The company must provide a provision that the contract may be terminated upon thirty (30) days written notice. Your company's proposal will be included as part of the contract.

Transition Responsibilities Upon Termination: Upon termination of its contract, the Contractor shall fully cooperate with the State and its representatives in an orderly transfer of administrative responsibilities and records to the State or its representatives. In the event that the State elects not to renew its contract at the end of its term, or otherwise terminates the contract for cause or convenience, the Contractor agrees to fully cooperate in the transition to the new contractor.

In the event the State elects to contract with a new Contractor, your company will fully cooperate with the State and the new Contractor in making the transition. Your company will provide all necessary documents and computer files and generally assist the new Contractor and the State in learning the content of such documents and files, or otherwise as will be mutually agreed upon. Contractor's responsibility to cooperate shall continue beyond the term of the contract, if necessary to assure a complete and accurate transition to the new contractor.

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.

The State reserves the right to award by item, part or portion of an item, group of items or total proposal, to reject any and all proposals in whole or in part, if, the best interest of the State will be so served. In determination of awards, the qualification of the bidder, the conformity with the specifications of services to be supplied and the delivery terms will be considered.

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*

Bidders must submit their technical proposal and cost proposal, each saved as a separate PDF, as well as one (1) zip file containing the appropriate Microsoft Word, Excel, and Project files to comprise a full proposal set.

The information in the table provided below must appear on the title page of each proposal:

Contents of Response Cover Page

RFP title:	Vermont Pension Investment Committee Investment Consultant RFP
RFP section:	Technical or Cost
<i>Closing date and time for submission of proposals: Friday, March 28, 2014 at 3:00 pm ET</i>	
Name, address, e-mail, and (voice) telephone number of firm submitting proposal	

Proposals must be emailed 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	Technical Approach
Part IV	Bidder References
Part V (to be packaged separately)	Cost

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 a Vermont Pension Investment Committee Investment Consultant 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 and the Vermont Pension Investment Committee Board of Trustees.”

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 have disclosed within their proposal all anticipated or potential conflicts of interest with the Office of the State Treasurer or the Boards of Trustees of the four retirement systems or the VPIC Board of Trustees.
- 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.
- That the company will agree to indemnify, defend and hold harmless the State, the Program and all officers, employees and agents against any claim for damages caused by any breach, act or omission of the company, its officers, agents, employees or subcontractors.

- That neither the company nor its subsidiaries shall use information obtained under the Program to directly solicit participants with respect to any product of said company.
- That the use of any written or visual communication materials, including participant statements, or changes to materials being used must be approved by the State in advance.
- That all information concerning the Program and participants is the sole property of the State and that information will remain confidential and will not be used or transmitted to others for any purposes whatsoever, except as required to conduct Program operations.
- That any participant complaints not resolved within 30 working days will be brought to the attention of the State.
- That a representative of the company will attend quarterly Vermont State Teachers' Retirement Board of Trustees meetings if requested and be prepared to report on the current status of the Program and its activities as handled by the company.
- That the State auditors or its independent contracted auditor will have access to all pertinent financial records, individual account balance records and information concerning the State's Program and that this access will be provided on a timely basis. All records relating to the State's Program must be available for inspection for the latter of three years or until all audits are complete.

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.

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

4.3 Bidder's Proposal – Part II Bidder Information

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

Section 1 – Summary/Overview. This should include a statement in the bidder's own words of the overall nature of the services requested in this RFP and a narrative of how it will provide the requested services identified in the RFP. The narrative should address all services outlined in the "Scope of Services" and should be prepared simply and economically, providing a straightforward and concise description of the bidder's philosophy, services and qualifications.

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

4.3.1 General

1. Affirmatively confirm that your company meets the applicable minimum criteria indicated in this RFP.
2. Requirements and certifications:
 - a. 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.
 - b. Do the investment consultant and their proposed team members have all authorizations, permits, licenses or certifications required by the Federal government and Vermont laws and regulations to perform services outlined in this RFP?

- c. If selected, will you agree and certify in writing you will serve as a fiduciary, consistent with the scope of services? Please identify any limitations or exceptions.
 - d. Do you certify that the primary consultant and at least one other consultant assigned to the plan meet the minimum professional experience outlined in section 1.2 of the RFP?
3. State the name and address of your company. Provide the name, title, address and telephone and fax numbers of the contact person from your company whom the consultant should contact with questions regarding your response.
4. Give a brief history of your company.
 - a. Supply audited financial statements for the three most recently closed fiscal years.
 - b. Indicate your firm's fiduciary classification: bank, insurance company, registered investment advisor, fiduciary affiliate, other (specify).
 - c. 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. Please include an organizational chart. Indicate the names of any subsidiary or affiliated companies and briefly describe the nature of their business and the relationship between the firm and these other companies.
 - d. Are any changes to the firm's corporate or organizational structure anticipated within the next 12-months? If yes, please specify. Have there been any significant changes to the firm's ownership, structure or organization over the past three years?
 - e. 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.
 - f. Please list all office locations and the number of individuals working in each office with a breakdown of consultants, analysts and others. Please specify which office would be the primary relationship office.
 - g. List the owners of the firm (from largest to smallest with respect to ownership) and their ownership percentages. Please include individuals and all other entities.
 - h. Please list all principals of the firm and their backgrounds, credentials and certifications.
 - i. Does the firm or any affiliate of the firm (including any subsidiary companies or parent company) provide any services in addition to investment consulting?
 - i. If so, indicate the percentage of total revenue received by the firm (including any subsidiary companies) from investment consulting and other services listed below during the most recent fiscal year.

Source of Total firm Revenue	Percent of Revenue
Investment Consulting	
Human Resources, Actuarial and Benefits Consulting	
Investment Management Services (excluding Fund-of-Funds)	
Fund-of-Funds Services	
Broker/Dealer Services	
Other (specify):	

- ii. If the firm has a parent company, please indicate the percentage of total revenue received by the parent company from the following sources during the most recent fiscal year?

Source of Parent Company Revenue	Percent of Revenue
Plan Sponsor Clients	
Investment Manager Clients	
Brokerage Clients	
Other (specify):	

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

	2011	2012	2013
Revenues from consulting with Plan Sponsors	_____	_____	_____
Revenues from money management activities	_____	_____	_____
Revenue from services to money managers	_____	_____	_____
Other (specify)	_____	_____	_____

- iv. Does the firm or an affiliate of the firm serve as an investment manager for clients? If yes, please provide a description.

- v. Does the firm or any affiliate provide any services to, or receive any compensation from, investment managers, including but not limited to: (i) charges for inclusion in the firm's database, (ii) conference fees, (iii) brokerage commissions, (iv) purchase of software, (v) consulting services, etc.? If so, describe briefly the nature of these services and compensation.
 - vi. Does the firm or any affiliate provide any services or conduct any business with VPIC's current investment managers?
 - vii. Please disclose in detail any potential conflicts of interest that currently exist or would be created by the firm's representation of VPIC including any activities of affiliated or parent organizations as well as other client relationships. Please include any potential conflict of interest based on VPIC's current mix of investment managers.
5. Describe the levels (dollar amounts) of coverage for SEC required (17g-1) fidelity bonds, errors and omissions coverage and any other fiduciary coverage which your firm carries. List the insurance carriers supplying the coverage.
 6. Please provide a detailed summary of your firm's internal control structure. Does the firm conduct periodic risk assessments? Provide a copy of your firm's ADV parts I, II, and SSAE 16 if applicable or other internal control review documentation (preferably prepared by a third party).

4.3.2 Financial and Regulatory Disclosure

1. Does your firm, its principals, or any affiliate own, or have any financial interest with, a money management firm, broker-dealer, or other organization that sells information, software and/or services to institutional investors and/or SEC registered investment advisors? If yes, identify the entity and describe the relationship. Include any related or affiliated businesses associated with the investment manager.
2. Does the firm and/or any affiliates accept soft dollars as a method of payment for services provided? If yes, please provide an explanation.
3. Do you allow plans to pay for consulting fees using the plan's brokerage commissions? If yes, please describe how these are monitored and describe steps you have taken to ensure that the plan receives best execution for its security trades. Please also describe steps taken to prevent overpayment of consulting fees.
4. Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?
5. Does the firm accept fees from investment managers or advisors, including but not limited to conference fees, commission credits, or other services? If yes, please describe the nature of this activity. Please list all managers from whom fees, services, or credits were received.
6. Has your company ever filed a petition for or has your company been petitioned into bankruptcy or insolvency, or has your company ever made any assignment for the benefit of your creditors? If so, provide complete details.
7. Has your company been involved in litigation in the last five years or is there any pending litigation arising out of your performance or participation in a defined contribution plan? If so, describe. Exclude routine interpleader actions, garnishments and similar routine matters involving participants and beneficiaries that do not reflect on your performance of your contract.

8. Has your company been cited or threatened with citation within the last five years by any federal or any state regulators for violations of any state or federal law and impending regulations? If your answer is yes, describe fully.
9. Has your firm, its principals or any affiliate ever (i) been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state, or self-regulatory body or organization; (ii) been a party to any litigation concerning fiduciary responsibility or other investment related matters; or (iii) submitted a claim to your errors and omissions, fiduciary liability, and/or fidelity bond insurance carrier(s)? If yes to any, please provide details.
10. Within the last ten years, has your organization or an officer or principal been involved in any business litigation or other legal proceedings not included in the previous question? If yes, please provide an explanation and indicate the current status or disposition.
11. Would the firm be willing to disclose, annually or upon client request, the dollar amount and nature of all material beneficial relationships that the firm or any affiliate of the firm engages in with investment manager clients? If not, please explain.
12. Has the firm adopted the CFA Code of Ethics and Standards of Professional Conduct? Does the firm have a written code of conduct or set of standards for professional behavior? If so, attach a copy and state how are they monitored and enforced.
13. Please describe and attach a copy of the firm's ethics and conflict of interest policy. If the firm, its affiliates, or the ultimate parent company provides investment management services, brokerage services, or services to investment managers, please include an explanation of how this policy, and any other measures taken by the firm, limit the likelihood that the client could receive investment advice that is not solely aligned with their best interests.
14. Do you subcontract or outsource any parts of your investment consulting business (actuarial, asset liability studies, etc.)? If yes, please describe in detail and state the reasons for this relationship. Please provide the name(s) of the providers, their office location, firm experience in the specified areas of consultation. Please note the State's requirements for approval of subcontractors as specified in section 3.1.4.
15. Does your firm have any financial or subcontract or relationships with entities responsible for providing benchmarks or the peer/universe database? If yes, please explain.
16. In the last five years, has your company had a contract terminated by a client for cause? If so, by whom and under what circumstances? Provide the name and telephone number of each client that has terminated your company's services in the last five years.
17. In the last five years, has your company had a contract non-renewed by a client? If so, by whom? Provide the name and telephone number of each client that has non-renewed your company's services in the last five years.

4.4 Bidder's Proposal – Part III Technical Approach

4.4.1 Section 1 – Summary/Overview

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

4.4.2 Section 2 – General

1. Who would be the State’s day-to-day contact?
2. Please provide a full biography/résumé for each consultant who will be assigned to the Vermont account(s). Include biographies/résumé of other key personnel who may be involved in routine services or special projects for the system(s). Include the résumé of all proposed subcontractor staff.
3. How many clients are assigned to each consultant? How many clients are currently assigned to the consultants assigned to the Vermont account(s).
4. For how many clients does your company currently provide the requested services? As of 12/31/13 provide the following information:

Plan Size	All Pension Plans	All Endowment Plans	All DC Plans
Under \$100mm			
\$100-500mm			
\$500 to \$999mm			
\$1000 to \$4,999mm			
Above \$5,000mm			
Total \$			

5. 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 during the last three tests, state how long it took to switch over to the recovery site and include test dates.

6. Please list the total number of professionals in the firm in each of the following categories for the past three years, as of December 31. Each person should be assigned to only one category.

	2011	2012	2013
DB Plan Consultants			
DC consultants			
Actuarial Consultants			
Other Consultants			
Analysts			
Analytical/Systems Staff			
Economists			
Marketing			
Firm Management			
Other (specify)			

7. Please provide a brief description of the firm's compensation arrangements for professional staff, including any incentive bonuses, sharing of profits, and/or equity ownership. Specific compensation amounts need not be presented.
8. Please list the number of institutional clients and assets the firm has serviced in a **full-retainer** capacity over the last five years. (Performance evaluation services and/or project-based work alone are not considered full-retainer investment consulting relationships.) Please provide calendar-year-end (December 31) data for each year.

Category	2009	2010	2011	2012	2013
Number of clients					
Assets					

9. Please list the number of full-retainer clients served by the firm (by asset size and by type) as of December 31, 2013:

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

10. Please list all full-retainer clients added over the past three years.
11. Please list all full-retainer clients who have terminated their relationship with the firm over the past three years and provide a brief explanation.
12. Describe your manager database as it relates to the manager selection process and for peer performance measurement. Is the database proprietary or purchased from an independent source? How is the data compiled? Please describe.
13. Describe, by size and style subgroups, how many managers are in the database.
14. How do you verify data collected from external sources? How often is each manager reviewed/visited by your staff?

15. Describe your firm's process for monitoring managers in the database with respect to administrative conditions such as staff turnover, mergers, and financial soundness. How are clients kept informed of this type of information?
16. Explain how due diligence reviews are performed and at what point such reviews would be initiated. Do you initiate or do you wait for instructions from your client to do so?
17. Explain how firms enter your search universe. How do they "get a foot in the door" of your database? Are there special considerations for considering the use of simulated data?
18. Please provide an explanation of how your firm will assure compliance with various statutes, rules, regulations and administrative bulletins relative to procurement in Vermont.
19. Describe the process of establishing benchmark performance targets for a plan and how that selection relates to the benchmark for individual investment managers.
20. How do you monitor and evaluate manager style or strategy drift? Please describe the process.
21. Please provide a sample standard investment manager search report, including analysis, and the recommendations to hire.
22. What factors would your firm consider in making a recommendation to terminate an investment manager?
23. Provide an example of a written recommendation to terminate a manager that you have made within the last year. Include copies of supporting documentation you provided to your client.
24. What factors do you consider to be critical in reporting performance? Describe the content and format of your performance reports. Describe the sources of data utilized for evaluating clients' performance. How are fund contributions and withdrawals incorporated into performance and other analyses?
25. Are all performance reports compliant with industry standards? Please describe how this is monitored. How is reporting data reconciled with the investment managers and the custodian?
26. What is the anticipated availability date for each report after quarter end? How much flexibility is there in your reporting format? Can reports be customized at the VPIC's request? Within what time. Can requested changes in reporting be made; i.e., at the beginning of the relationship only, or anytime changes are needed?
27. Please provide samples of your performance and risk analysis reports. Do you have the ability to customize reports for your clients?
28. Please include as exhibits sample copies of the following:
 - a. manager search book
 - b. manager due diligence report
 - c. research report
 - d. quarterly performance review
 - e. review of the portfolio's risk
29. Discuss in detail the theory and methodology of the asset allocation models your firm employs. How do you develop asset class assumptions? Provide your firms' asset allocation report including correlations, standard deviations and forecasted return projections on a 5-7 year basis. If you use other analytics to develop your asset allocation assumptions please include those and explain your process.

30. How do you factor in the characteristics of plan liabilities in your asset allocation analysis? Provide a sample asset/liability study. How frequently do you recommend that these be completed?
31. Describe your role in implementing manager transitions and/or rebalancing strategic asset allocation targets.
32. Outline your process for maintaining a continuous review of investment policy, asset allocation, and portfolio structure.
33. Explain your perspective relating to the following and how they are integrated into your risk management strategy:
 - f. Risk budgeting
 - g. Liability Driven Investing
 - h. Factor analysis (credit, inflation, economic growth, etc.
 - i. Risk Parity
 - j. Scenario analysis (what if?)
 - k. Stress Testing
 - l. Monte Carlo simulation
 - m. Value at Risk analysis (VaR)
 - n. Hedging overlays
 - o. Other (specify)
34. Have you created a risk model that utilizes any or all of the above that is used by any of your clients? If yes, please describe.
35. Describe your firm's philosophy regarding strategic versus tactical asset allocation.
36. What role does the following play in your firm's general view of the asset allocation process for your clients?
 - a. Passive vs. active management
 - b. Commingled vs. separate accounts
37. Describe any style preferences and your perspective on how the following are best suited for public pension portfolios:
 - a. Value vs. growth investing
 - b. Large vs. small cap investing
 - c. Non-US investments
 - d. Emerging markets investments
 - e. Real estate
 - f. Private equity
 - g. Hedge funds
 - h. Derivative investment vehicles
 - i. Commodities
 - j. Economically Targeted Investments

- k. Other, please specify.
38. VPIC currently invests in real estate, global asset allocation, risk parity products, hedge funds and private equity. Discuss the role of alternative investments within a public pension portfolio. Do you have clients using alternative investments? If so, identify and describe your expertise in alternative asset classes. How does your firm assist in the design, implementation, and monitoring of such an investment program? Do you have staff dedicated to researching this asset class? Describe the elements of a due diligence process for assessing the merits of alternative investments and ongoing monitoring.
39. Describe your experience in conducting analyses of custodians. Include a sample report.
40. For how many clients has your firm presented education workshops during the past two years? Please describe the content of these workshops. Describe what initiated these workshops and what educational opportunities you would recommend for the VPIC.
41. Describe what you see as your role in the area of general guidance and direction to staff and the VPIC and any subcommittees.
42. In light of a recent movement that's been gaining interest in Vermont, please give insight into how your firm views concerns relating to climate change. Specifically, please outline:
- a. If your firm is integrating climate change concerns into its asset allocation recommendations, manager searches, etc. If yes, please explain.
 - b. What are your views on renewable energy, climate bonds, and renewable energy infrastructure as investments or as an investment class? How do these align with diversification into alternative asset classes? How do they fit into Vermont's investment model?
 - c. Please describe your views on pension fund investments in infrastructure as a diversifying asset. How does it fit into Vermont's model?
43. Does your firm provide an on-line resource library with a variety of perspectives on investment topics? Please explain what resources are available to VPIC members and interested parties.
44. The unprecedented economic and market events of the past five years have had a significant impact on public pensions. Describe how these have impacted your methodologies as they relate to asset allocation, portfolio risk management, investment manager due diligence, compliance monitoring, securities lending, and any other investment topics you believe relevant.
45. If your firm was selected as the investment consultant, briefly describe how VPIC would transition to your firm. Include a discussion of your handling of historical transaction and/or investment performance data. Please provide at least one reference (name, fund name, address, phone, e-mail) of a recent client of yours whom we can contact regarding the transition process.

4.4.3 Section 3 – Proposed Value-Added Options

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

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

investment consultation at its discretion or incorporate those services with the general investment consultant.

4.4.4 Section 4 – Assumptions and Exceptions

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

4.5 Bidder’s Proposal PART IV – References

The bidder shall provide a minimum of four (4) client references of plans similar to those described in this RFP that have assets under management of at least \$1 billion for which you provide full retainer services, as previously described. Fully describe the circumstances of your engagement and include the following:

- a. Company name
- b. Contact name and title for an individual qualified to provide information from both the management and technical viewpoints
- c. Physical address, telephone number & email address of contact
- d. Length of relationship during which services were performed
- e. Description of the specific services that were provided
- f. Project statistics such as size of funds, number of investment types, number of indices, etc.

4.6 Bidder’s Proposal Part V– Cost

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

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

The format of the cost presentation is as follows:

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

Full Services/Retainer:

All-Inclusive Flat Fee - Year 1	\$ _____
All-Inclusive Flat Fee - Year 2	\$ _____
All-Inclusive Flat Fee - Year 3 (optional year)	\$ _____
All-Inclusive Flat Fee - Year 4 (optional year)	\$ _____
TOTAL FEES (Years 1-4)	\$ _____

B. Additional Fees:

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

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

C. Additional Information:

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

NOTE: This part of the proposal must be 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
A. RFP Understanding Approach Clarity Creativity of proposal Responsiveness to Scope of Services and ability to provide requested services
B. General Experience and Qualifications of Firm Experience Assigned personnel Any other resources assigned to State
C. Regulatory Compliance and Independence
D. Cost

The Office of the State Treasurer reserves the right to seek clarification of any proposal submitted, 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.

Bidders who submit proposals may be required to make oral presentations of their proposals to the State. These presentations provide an opportunity for the bidders to clarify the proposals through mutual understanding. The state will schedule these presentations and visits, if required.

ATTACHMENT 1 – STANDARD CONTRACT PROVISIONS

Attachment A – Standard Contract for Services:

To find a copy please go to:

<http://bgs.vermont.gov/sites/bgs/files/pdfs/purchasing/Standard-Contract-Services%20-%2011-07-12.pdf>

Attachment B – Payment Provisions:

Contractor shall receive total compensation under this Contract in an amount equal to \$_____

Consulting fees shall be billed quarterly in arrears and shall be paid in US dollars. Other terms, if any, shall be as negotiated.

Attachment C – Standard State Provisions:

To find a copy please go to:

http://bgs.vermont.gov/sites/bgs/files/pdfs/purchasing/Multi-Use%20ATTACHMENT%20C_Contracts_Grants_rev_11-07-2012R.pdf

Attachment D – Standards of Conduct:

To find a copy please go to:

http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/retireVPIC/policy/Standards_of_Conduct_VPIC_Effective_09102012.pdf

ATTACHMENT 2 – VPIC INVESTMENT POLICIES

VPIC Investment Policy Link:

http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/retireVPIC/policy/Amended_and_Restated_Investment_Policy11202013.pdf

VPIC Standards of Conduct Link:

http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/retireVPIC/policy/Standards_of_Conduct_VPIC_Effective_09102012.pdf

VPIC Education Policy Link:

http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/retireVPIC/policy/VPIC%20Education%20Policy_2011-01-25.pdf

VPIC Economically Targeted Investment Program Link:

http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/retireVPIC/policy/2-006_EconomicallyTargetedInvestments.pdf

VPIC Environmental, Social & Governance Policy Link:

http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/retireVPIC/policy/ESG_VPIC_Policy_06182013.pdf

VPIC Policy on Investments in Terrorist or Genocide Linked Countries Link:

http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/retireVPIC/policy/3-006_TerroristGenocidePolicy20081125revised.pdf

VPIC Vermont Manager Program Link:

<http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/retireVPIC/policy/1-009VermontManagerProgramPolicy.pdf>

End RFP