

STATE OF MARYLAND

**BOARD OF TRUSTEES
MARYLAND TEACHERS & STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS**

**REQUEST FOR PROPOSALS
FOR
STABLE VALUE FUND
INVESTMENT MANAGEMENT SERVICES**

“MSRP - 05/2006 - Stable Value Manager”

**ISSUING OFFICE
BOARD OF TRUSTEES FOR THE
MARYLAND TEACHERS AND STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS**

ISSUE DATE

December 22, 2005

**STATE OF MARYLAND
NOTICE TO OFFERORS/CONTRACTORS**

In order to help us improve the quality of State proposal solicitations, and to make our procurement process more responsive and business friendly, we ask that you take a few minutes and provide comments and suggestions regarding the enclosed solicitation. Please return your comments with your proposals. If you have chosen not to bid on this contract, please fax this completed form to: 410-659-0349 to the attention of Roland Unger.

Title: Stable Value Manager
Project No: MSRP 05-2006

1. If you have responded with a "no bid", please indicate the reason(s) below:

- Other commitments preclude our participation at this time.
- The subject of the solicitation is not something we ordinarily provide.
- We are inexperienced in the work required.
- Specifications are unclear, too restrictive, etc. (Explain in REMARKS section.)
- The scope of work is beyond our present capacity.
- Doing business with Maryland Government is simply too complicated. (Explain in REMARKS section.)
- We cannot be competitive. (Explain in REMARKS section.)
- Time allotted for completion of the proposals is insufficient.
- Start-up time is insufficient.
- Bonding/Insurance requirements are restrictive. (Explain in REMARKS section.)
- Bid/Proposals requirements (other than specifications) are unreasonable or too risky. (Explain in REMARKS section.)
- MBE requirements. (Explain in REMARKS section.)
- Prior State of Maryland contract experience was unprofitable or otherwise unsatisfactory. (Explain in REMARKS section.)
- Payment schedule too slow.
- Other: _____

2. If you have submitted a bid or proposal, but wish to offer suggestions or express concerns, please use the Remarks section below. (Use reverse or attach additional pages as needed.)

REMARKS:

Offeror Name: _____ Date _____

Contact Person: _____ Phone (____) _____ -
Address: _____

KEY INFORMATION SUMMARY SHEET

STATE OF MARYLAND

Request For Proposals

STABLE VALUE MANAGER

PROJECT NUMBER: MSRP 05-2006

RFP Issue Date: December 22, 2005

RFP Issuing Office: Maryland Supplemental Retirement Plans

Procurement Officer: Mr. Roland L. Unger
Office Phone: (410) 767-8715
Fax: (410) 659-0349
E-mail: runger@msrp.state.md.us

Proposals are to be sent to: Maryland Supplemental Retirement Plans
6 Saint Paul Street, Suite 200
Baltimore, MD 21202
Attention: Roland L. Unger

Pre-Proposal Conference: Tuesday, January 17, 2006, 1:00 PM (Local Time)
Maryland Supplemental Retirement Plans
6 Saint Paul Street, Suite 200
Baltimore, MD 21401

Closing Date and Time: Wednesday, February 22, 2006, 2:00 PM (Local Time)

NOTE

Prospective Offerors who have received this document from the Maryland Supplemental Retirement Plans web site (www.MSRP.state.md.us) or eMarylandMarketplace.com, or who have received this document from a source other than the Procurement Officer, and who wish to assure receipt of any changes or additional materials related to this RFP, should immediately contact the Procurement Officer and provide their name and mailing address so that amendments to the RFP or other communications can be sent to them.

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EXHIBITS

- A. Plan Data Summary as of September 30, 2005
- B. Investment Contract Pool Investment Policy and Guidelines
- C. Investment Contract Pool Quarterly Statement 7/1/2005 – 9/30/2005
- D. Minority Business Enterprise Requirements
- E. Bid/Proposal Affidavit
- F. Contract Affidavit
- G. Mandatory Contract Provisions

**STATE OF MARYLAND
BOARD OF TRUSTEES
MARYLAND TEACHERS & STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS
REQUEST FOR PROPOSALS**

SECTION ONE - GENERAL INFORMATION FOR OFFERORS

1. GENERAL INFORMATION FOR OFFERORS

This Request for Proposals (RFP) is divided into three sections. Section one gives general information and requirements. Section two specifically describes the services requested and the miscellaneous conditions applicable thereto. Section three contains the detailed request for specific information that bidders are required to submit in response to this RFP.

1.1 OVERVIEW

A. General

The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans (the "Board") is an independent agency created under Title 35 of the State Personnel and Pensions Article of the Maryland Code. The Board has general oversight authority and responsibility for certain tax-favored defined contribution plans for State employees: the §457 Plan; the §401(k) Plan; the §403(b) Plan; and the 401(a) Matching Plan. Recent financial data on the plans is contained in the summary schedules attached as Exhibit A, and the Plans are generally described below.

The Board has appointed an executive director and a staff of sixteen employees. The Board does not directly administer the plans. Its executive director and staff conduct general supervisory activities of administrators, advisors or accountants that are hired, and conduct general educational efforts for State employees concerning the benefits of plan participation.

The purpose of this RFP is to procure, through competitive sealed proposals, investment manager services for its Investment Contract Pool (ICP). The ICP is a benefit responsive stable value fund maintained as an investment option for the

457 Plan, 401(k) Plan and 401(a) Plan. The value of the ICP as of September 30, 2005 was \$536.8 million. The ICP commenced operations in 1987. While the Board has always retained advisors for the ICP, until April 2000 it had always reserved actual contract decisions for itself or its investment committee. In 2000, the Board selected ING Life Insurance and Annuity Company to be the Stable Fund Manager to develop, obtain Board approval for, and implement an investment policy for the ICP. The purpose of this RFP is to select a manager who would assume this discretionary authority through a services contract under which the selected firm would select contracts and exercise other delegated authority.

B. Existing Advisors and Administrators

The Board has a contract with Segal Advisors, Inc./The Segal Company (Segal) for general pension consulting and investment advisory services through April 2006. Segal has performed such services for the Board since 2001, and its predecessors since mid-1985. Segal Advisors may offer advice, recommendations or opinions with respect to the RFP.

The services for which this RFP is issued are currently provided by ING Financial Advisors, LLC. ING Financial Advisors has not advised upon this RFP, or been consulted or informed with respect to its substance or detail.

General record keeping, overall administration and preparation of both participant and plan financial statements are the primary responsibility of Nationwide Retirement Solutions (NRS), the plan administrator. NRS is headquartered in Columbus, Ohio with regional offices around the country, including an office in Timonium, Maryland. The NRS contract expires December 31, 2007.

Lastly, the Board has a contract with Clifton Gunderson, LLP to audit and issue opinions on the financial statements of the supplemental retirement plans.

1.2 **ISSUING OFFICE AND PROCUREMENT OFFICER**

Board of Trustees, Maryland Teachers and State Employees Supplemental Retirement Plans, William Donald Schaefer Tower, 6 Saint Paul Street, Suite 200, Baltimore,

Maryland 21202-1608, Telephone: 410-767-8740. ATTENTION: RFP STABLE VALUE MANAGER

The procurement officer is Roland L. Unger, MSRP Chief Financial Officer, who may be reached at the above address and telephone number. The procurement officer is the sole point of contact for this RFP, including material to be reviewed by the procurement committee. Offerors should generally not contact or discuss this RFP with individual members of the procurement committee or any member of the Board. Offerors may check the status of their bid or the procurement as a whole at any time by telephone call to Mr. Unger.

1.3 **PRE-PROPOSAL CONFERENCE**

A pre-proposal conference will be held on **Tuesday, January 17, 2006** beginning at 1:00 p.m., at the offices of the Board in Baltimore, 6 St. Paul St., Suite 200, Baltimore, Maryland 21202.

Attendance at the pre-proposal conference is not mandatory, but all interested Offerors are encouraged to attend in order to facilitate better preparation of their proposals. In addition, attendance may facilitate the Offeror's understanding and ability to meet the State's Minority Business Enterprise (MBE) goals. If your firm plans to send representatives, please call the Issuing Office at least one week prior to the pre-proposal conference date to reserve a space at the conference. The submission of written questions in advance of the pre-proposal conference is encouraged. Potential Offerors should not assume that members of the procurement committee would attend the pre-proposal conference.

1.4 **QUESTIONS**

Questions and inquiries, both verbal and written, will be accepted from vendors whether or not they attend the pre-proposal conference. The procurement officer will attempt to answer appropriate questions submitted in writing on or before January 27, 2006. A summary of all questions and answers discussed at the pre-proposal conference will be distributed to all vendors on record as having received the RFP.

1.5 **CLOSING DATE**

One original and ten copies of each proposal (technical and financial) must be received by the Issuing Office no later than **2:00 PM on Wednesday February 22, 2006**.

Proposals arriving after the closing time and date will not be considered. Offerors should allow adequate time to physically deliver proposals if delivered on the final day, consistent with standard security procedures for a multi-story downtown office building. Offerors are expressly encouraged to use a reputable delivery service with delivery on or before the day prior to the closing date, to avoid unintended, untimely delivery. No proposal will be opened prior to the deadline for proposals. The Board reserves the right to extend this closing date. Proposals should be directed to:

Maryland Teachers & State Employees Supplemental Retirement Plans

Roland L. Unger, Procurement Officer

ATTENTION: RFP STABLE VALUE MANAGER

William Donald Schaefer Tower

6 Saint Paul Street, Suite 200

Baltimore, Maryland 21202-1608

1.6 **DURATION OF PROPOSAL OFFER**

The offering vendor must state that the proposal is valid for a minimum of 120 days after the closing date and may declare a longer period if desired. Such period may be extended by mutual written agreement.

1.7 **PROCUREMENT COMMITTEE**

A committee made up of several Board members or designees will review all proposals and make the selection of a vendor to supply the services as stated in this request. The selection will be made under the standards and procedures set forth in section 3.17. In making this evaluation the committee may seek technical assistance from any resource approved by the Procurement Officer, from existing or outside consultants, and from Board staff. Actual selection and contract award, if any, will be made by the full Board, and both are subject to required state approvals, specifically including approval by the State Board of Public Works.

1.8 **REVISIONS TO THE SOLICITATION**

If it becomes necessary to amend any part of this solicitation or if additional data is necessary to clarify the provisions of this solicitation, amendments will be provided to all vendors who receive the initial solicitation, or are otherwise known to have obtained a copy. Acknowledgment of the receipt of all amendments will be required.

1.9 CANCELLATION OF THE SOLICITATION; REJECTION OF ALL PROPOSALS

The Board may cancel this solicitation, in whole or in part, or may reject all proposals submitted in response to this solicitation, whenever this action is determined to be fiscally and generally advantageous to the Plans under Board administration and the participants thereof. Prospective Offerors should note that the selection of investment products (such as an existing stable value fund where the Board's assets are commingled with other plans) is not governed by this RFP. While the Board intends to procure the services of a manager for its ICP it reserves the right, as noted, to cancel this RFP and select a pooled investment product outside of this RFP process.

1.10 DISCUSSION/PRESENTATIONS

The Procurement Committee will analyze and evaluate the written proposals under the standards and methods set forth in section 3.17. Responsible Offerors whose proposals are deemed reasonably susceptible of being selected for award may be required to make an oral presentation to and/or enter into discussions of their proposal with the Procurement Committee at either the Board's offices or at the principal offices of the Offeror; the details of such evaluation are set forth in section 3.17. Responsible Offerors may also be required to clarify their offer, and/or present additional information. The Board reserves the right not to conduct discussions with offerors.

1.11 PROPOSAL ACCEPTANCE

The Board reserves the right to accept or reject any or all proposals in whole or in part and to waive or permit cure of minor irregularities.

1.12 INCURRED EXPENSES; PROPOSAL FORM

The Board will not be responsible for any expenses incurred by a vendor in preparing and submitting a proposal. All proposals should be prepared simply and economically, providing a straight forward, concise delineation of the vendor's capabilities to satisfy the requirements of this solicitation. Oral, telegraphic, mail gram or fax proposals will not be accepted.

1.13 REFERENCES

By submitting a proposal hereunder, Offeror consents to the Board or its representatives contacting agents or employees of entities for whom the Offeror performs services, for

analysis and evaluation of their performance of services for such other entities, whether or not such persons or entities are listed as references under other sections of this RFP.

1.14 ACCESS TO PUBLIC RECORDS ACT NOTICE

An Offeror should give specific attention to the identification of those portions of its proposal that it considers confidential, proprietary, commercial information or trade secrets, and provide justification why such materials, upon request, should not be disclosed by the State under the Access to Public Records Act, State Government Article, Title 10, Subtitle 6, Annotated Code of Maryland. The ultimate determination of whether certain records or parts thereof are subject to disclosure rests with the Procurement Officer as custodian of the record of the procurement.

1.15 PROTESTS

An Offeror may protest the proposed award or the award of a contract for this procurement. A potential Offeror may also protest the specifications and evaluation methods set forth in this RFP. Any protest must be filed in accordance with Title 15, Subtitle 2 of the State Finance and Procurement Article, Annotated Code of Maryland, and COMAR Title 21 (State Procurement Regulations), Subtitle 10, Administrative and Civil Remedies.

1.16 CONTRACTOR RESPONSIBILITIES

The Board will enter into a written contract consistent with this RFP with the selected Offeror and that written contract shall be presented for approval to the State Board of Public Works. The selected Offeror shall be responsible for all services as required by this solicitation.

1.17 OFFEROR - VENDOR

The words "Offeror", "vendor" and "respondent" are used interchangeably in this RFP.

1.18 USE OF “e-MARYLAND MARKETPLACE”

“e-Maryland Marketplace” is an electronic commerce system administered by the Maryland Department of General Services. We use the MSRP web site (<http://www.msrp.state.md.us>), U.S. mail, E-mail and other means for transmitting the RFP, notices and associated materials. We also use e-Maryland Marketplace to provide the solicitation and minutes of the pre-bid/proposal conference, Offeror questions and MSRP responses, addenda, and other solicitation related information.

This means that all such information is immediately available to organizations who subscribe to e Maryland Marketplace. Because of the instant access afforded by e Maryland Marketplace, it is recommended that all Offerors interested in doing business with Maryland State agencies subscribe to e Maryland Marketplace. The successful Offeror must register with e Maryland Marketplace prior to contract award.

COMAR 21.02.03.06 requires that the successful Offeror under this solicitation pay a fee to support the operation of e Maryland Marketplace. A copy of COMAR 21.02.03.06 can be found on the e Maryland Marketplace website at www.eMarylandMarketplace.com. The fee amount must be included within the rate or price of the proposal and may not be quoted as a separate add-on price.

In order to receive a contract award, a vendor must be registered on e Maryland Marketplace. Contractors shall pay the fee as provided by COMAR 21.02.03.06 and in accordance with guidelines issued by the Maryland Department of General Services. These guidelines can be found on the e Maryland Marketplace website at www.eMarylandMarketplace.com.

1.19 MINORITY BUSINESS ENTERPRISES

Minority Business Enterprises (MBE) are encouraged to respond to this solicitation notice. Minority Business Enterprises are encouraged to obtain certification from the Office of Minority Business Enterprise. All questions related to certification must be directed to:

Maryland Department of Transportation
Office of Minority Business Enterprise
P.O. Box 8755
B.W.I. Thurgood Marshall Airport, Maryland 21240-0755
Telephone: 410 865-1244

or via the Internet at: <http://www.mdot.state.md.us>. Select the MBE Program label. The most current and up-to-date information on MBEs is available via the web site.

Offerors attempting to classify themselves as minority contractors within the meaning of State procurement laws and regulations shall not be so viewed until and unless they are certified as such by the Office of Minority Enterprises and Equal Opportunity.

A Minority Business Enterprise subcontract participation goal of eight percent (8%) has been established for this procurement. The contractor shall structure its awards of subcontracts under the contract in a good faith effort to achieve the goal in such subcontract awards by businesses certified by the State of Maryland as minority owned and controlled. MBE requirements are explained and specified in Exhibit D of this RFP. A current directory of MBE's is available through the Maryland State Department of Transportation, Office of Minority Business Enterprise at 410-865-1244. If the Offeror has not proposed minority participation of eight percent (8%) or more, the Offeror must submit a statement of explanation of: (a) its good faith attempts to procure such participation, and; (b) why such participation is not feasible in light of the services to be performed. Such non-complying Offeror may then request a waiver of this requirement.

1.19 APPROVAL OF SUBCONTRACTORS

Any material subcontracts will require approval of the subcontractor by the Board. A material subcontract includes any joint venture for purposes of this contract, or specific delegation of discretionary investment authority to another vendor.

1.20 COMPLIANCE WITH LAW

By submitting a proposal in response to this solicitation, the Offeror, if selected for award, agrees that it will comply with all federal, State and local laws applicable to its activities and obligations under the contract. By submitting an offer in response to this solicitation, the Offeror shall be deemed to represent that it is not in arrears in the payment of any obligation due and owing the State of Maryland or any department or unit thereof, including but not limited to the payment of taxes and employee benefits, and if selected for award that it shall not become so in arrears during the term of the contract.

1.21 ACCEPTANCE OF TERMS AND CONDITIONS

By submitting a proposal in response to this solicitation, an Offeror shall be deemed to have accepted all the terms, conditions, and requirements set forth in this solicitation unless otherwise clearly noted and explained in its proposal.

1.22 BID/PROPOSAL AFFIDAVIT AND CONTRACT AFFIDAVIT

A completed Bid/Proposal Affidavit included as Exhibit E must accompany all bids/proposals submitted by an Offeror. The successful Offeror also agrees that the Contract Affidavit will be completed and submitted when and if the Offeror is selected for a contract award. A copy of this affidavit is provided as Exhibit F to this solicitation. MBE affidavit requirements are explained in Exhibit D.

1.23 CONTRACT CONDITIONS - GENERAL STATE LAW – PROCUREMENT METHOD

Be advised the mandatory contract provisions attached as Exhibit G to this RFP are written to meet the procurement laws and regulations of the State of Maryland. The procurement law referenced is the Annotated Code of Maryland, State Finance and Procurement Article and the regulations are State procurement regulations, COMAR Title 21. This contract will be awarded in accordance with the competitive sealed proposals process under COMAR 21.05.03

1.24 FORMAT OF PROPOSAL

Neither multiple nor alternate proposals will be accepted. Offerors must submit proposals in two parts: Volume I - Technical Proposal, and Volume II - Financial Proposal. The Financial Proposals must be sealed separately from the Technical Proposals. All pages should be numbered.

Volume I (The Technical Proposal) should be sealed and labeled “Technical Proposal” and must bear the name of the Offeror, the name and number of the RFP and the closing date for proposals on the outside of the package. Inside this package the Offeror should include an original and ten copies of the technical proposal, which should contain at least the following sections:

1. Introduction - A one page Executive Summary of the Offeror’s entire proposal.
2. Understanding of the Requirements - A detailed explanation how the proposed services will satisfy the requirements of the RFP, and a Check List answering the specific questions and requests of Section 3.2 et seq.
3. Bid/Proposal Affidavit.

4. Minority Business Enterprise (MBE) Utilization and Fair Solicitation Affidavit, as contained in Exhibit D.

Volume II (The Financial Proposal) should be delivered under separate sealed cover labeled “Financial Proposal” and marked with the same information noted on the Technical Proposal. This package should also include an original and ten copies of the Offeror’s price, calculated and conditioned as described in section 3.3.

1.25 TRANSMITTAL LETTER

A transmittal letter on the Offeror’s stationery should accompany the proposal. The purpose of this letter is to transmit the proposal and to acknowledge receipt of any addenda. The original proposal should have the letter with original signatures. It should be brief and signed by an individual who is authorized to bind the company to all statements in the proposal and the services and requirements as stated in the solicitation.

1.26 TECHNICAL PROPOSAL - (MARK ORIGINAL AS ORIGINAL COPY)

The Technical Proposal (Volume I) should address all points outlined in the solicitation excluding the price proposed in the Financial Proposal (Volume II). It should be clear and precise in response to the information and requirements described in the solicitation. The vendor's Technical Proposal must address each point in the same sequence as it is stated in Section 2. of the solicitation. Offeror’s are encouraged to coordinate their responses to specific requests with the evaluation standards set forth in section 3.17. In addressing each point, the vendor should describe how its performance of the particular aspect of investment management would satisfy the stated requirements or conditions. Any special vendor requirement(s) associated with any aspect of the services to be provided must be clearly identified and described. The required affidavits must also be in Volume I.

1.27 CONTRACT TYPE

The contract that results from this RFP shall be fixed unit price, indefinite quantity and reimbursement of claims as provided in COMAR 21.06.03.02A (2) and 21.06.03.06

1.28 VERIFICATION OF REGISTRATION AND TAX PAYMENT

Before a corporation can do business in the State of Maryland it must be registered with the department of Assessments and Taxation, State Office Building, Room 803, 301 West Preston Street, Baltimore, Maryland 21201. It is strongly recommended that any potential Offeror complete registration prior to the due date for receipt of proposals. An

Offeror's failure to complete registration with the Department of Assessments and Taxation may disqualify an otherwise successful Offeror from final consideration and recommendation for contract award.

1.29 **FALSE STATEMENTS**

Offerors are advised that section 11-205.1 of the State Finance and Procurement Article of the Annotated Code of Maryland provides as follows:

- (a) In connection with a procurement contract a person may not willfully:
 - (1) falsify, conceal, or suppress a material fact by any scheme or device;
 - (2) make a false or fraudulent statement or representation of a material fact; or
 - (3) use a false writing or document that contains a false or fraudulent statement or entry of a material fact.

- (b) A person may not aid or conspire with another person to commit an act under subsection (a) of this section.

- (c) A person who violates any provision of this section is guilty of a felony and on conviction is subject to a fine not exceeding \$20,000 or imprisonment not exceeding 5 years or both.

II. DESCRIPTION OF SERVICES AND PARTICULAR REQUIREMENTS

2. **SCOPE**

The Board intends to procure the following professional services:

2.1 **INTRODUCTIONS AND EXPLANATIONS:**

The Board by statute is the governing body for most supplemental retirement plans available for employees of the State of Maryland. The Board maintains four plans: a grand fathered 401(k) Plan; a 457 Plan; a 403(b) Plan; and a 401(a) Match Plan that will match with state contributions (up to a \$600 statutory limit each fiscal year, if budgeted) employee elective contributions into one or more of the above noted plans. Total assets

for all plans as of September 30, 2005 were almost \$2.1 billion. Plan participants may freely transfer into and out of the ICP at their election. Approximately 29% of eligible deferral dollars goes into the ICP on an ongoing basis. Additional information about plan assets, participation and contributions is available in the Plan Summary Data attached as Exhibit A.

The Board currently maintains a benefit responsive investment contract pool (ICP) as an investment option for participant selection. Current assets of the pool are approximately \$536.8 million as of September 30, 2005 and are comprised of typical stable value arrangements placed in accordance with the Investment Contract Pool Investment Policy document attached as Exhibit B. Assets in the pool are held in a master trust arrangement created by the Board to allow participation by the 457, 401(k) and 401(a) Match Plan. Relevant detail with respect to the ICP is contained in Exhibit C, a quarterly ICP report submitted to the Board.

From inception of the ICP in 1987 the Board has used and relied upon one or more expert advisors; but until April 2001 it has always reserved actual contract decisions for itself or its investment committee. Beginning with the 2001 stable value manager agreement, the Board delegated this authority, selected a manager to perform this discretionary function under Board standards of policy and credit quality agreed upon between the Board and the selected manager. Existing contracts within the ICP were retained, and cash from maturing contracts were dedicated to the stable value manager. Procedures for benefit responsive withdrawals (investment changes or benefit payments) continue, and the contracts selected by the stable value manager are subject to such withdrawals pro rata with the remaining assets of the Board's current investment contract pool.

2.2 **CONTRACTS AND OFFEROR REQUIREMENTS - SPECIFICS:**

2.3 SIZE AND EXPERIENCE. The Offeror must currently serve as a manager for Stable Value Funds with assets of at least five billion dollars, have at least seven years experience managing such funds, and have at least ten separate clients.

2.4 LICENSES. The Offeror must possess requisite licenses from appropriate regulatory agencies.

- 2.5 CONFLICT OF INTEREST. The Offeror must agree that neither it, nor any affiliated company, will receive compensation directly or indirectly by reason of its manager services hereunder, other than the fees received from the Board under this contract. This includes rebates, concessions or other payments or benefits from brokers or contract issuers. The selected Offeror will be prohibited from purchasing for the Board's ICP any contract, policy, stable value arrangement or wrapper that is issued or guaranteed by it, or any affiliated company.
- 2.6 CASH MANAGEMENT. The manager selected hereunder will not have custody or control of plan funds, but will instead transmit instructions to NRS and/or Board personnel for such fund direction as is necessary. As part of the current management of the ICP the Board maintains a Short Term Interest Fund (STIF) to receive ongoing deferrals, and contract maturities with benefit payments and funds for new contracts paid from this fund. This process will continue under this contract, and the Board and not the selected manager will select the identity of the STIF fund. The manager will be expected to manage and coordinate the overall size of the STIF fund, consistent with the purpose of the ICP and achievement of appropriate investment return.
- 2.7 FIDUCIARY. The manager selected will be a fiduciary within the meaning of State Personnel & Pensions Art. §21-20 et seq., which requires fiduciaries responsible for plan assets to adhere to certain standards of diligence and conduct similar to ERISA standards. Although some of the plans that maintain the ICP as an option are tax qualified, none of them are subject to Department of Labor jurisdiction or federal ERISA provisions, other than tax provisions. The selected manager will be expected to show evidence of and to continue to maintain appropriate fiduciary insurance as a requirement under this contract.
- 2.8 INSPECTION OF PLACE OF BUSINESS AND BOOKS AND RECORDS. The manager selected must agree to allow inspection of all books and records relating to its performance of services hereunder.
- 2.9 CREDIT STANDARDS. The manager selected must adhere to specific credit standards agreed upon between the manager and the Board. The manager will be required to propose specific standards, which then may be modified from time to time at the Board's discretion.

- 2.10 LENGTH OF CONTRACT. The contract term will be for three years, and subject to an additional two-year renewal at the sole option of the Board.
- 2.11 PERIODIC REPORTS. The manager selected will be required to submit a quarterly report to the Board's investment committee on the overall operations of the ICP, including any analysis necessitated by deterioration of credit quality for instruments within the ICP. The manager will be required to personally attend at least three meetings a year in Baltimore, at its own expense, which at the discretion of the Board may be either Board meetings or investment committee meetings.
- 2.12 LOANS. The manager will not have authority to borrow funds.
- 2.13 CONTRACT TITLING. Contracts selected will be issued to and in the name of the Board, unless issued under such other arrangements as are specifically approved by the Board from time to time.
- 2.14 CONTRACT PRICING AND PAYMENT. The selected manager will be compensated solely on the basis of a percentage of assets within contracts under its management, plus the balance in the STIF fund. The percentage shall be calculated at the end of each quarter, and then paid to the manager by the Board or its agent from ICP cash flow or the STIF account within 30 days of receipt of suitable invoice.
- 2.15 CANCELLATION PRIVILEGES. The Board reserves the right to cancel this contract at any time during the course of its performance without liability for damages, incurred costs, or anticipated profits. In the event of such cancellation the Board's sole liability to the manager will be for accrued percentage fees and/or any yearly minimum, adjusted for months served.
- 2.16 BLENDED RATE CALCULATION. NRS currently obtains periodic earnings reports from the Stable Value Manager which, combined with cash flow and demographics information, is used to calculate the ICP declared Blended Rate of Interest to be credited to participant balances for the Quarter. This practice will change with the issuance of this RFP and Offerors will provide for the calculation of fees in their proposals.

REQUEST FOR PROPOSAL

SECTION THREE - PROPOSAL EVALUATION

3. PROPOSED EVALUATION

This section contains specific required vendor responses, evaluation methods, and a format for the Price Proposal.

3.1 QUALIFYING PROPOSALS

Proposals shall be evaluated by the Procurement Committee made up of Board members, and such other staff, consultants, accountants and others, as the Board may deem appropriate. The present expectation is that the procurement committee will consist exclusively of Board members that currently serve on the investment committee. The Procurement Committee will make a recommendation to the full Board, which will then award the contract, subject to the authorization of the Board of Public Works. The Board retains the right to waive minor irregularities in proposals whenever it is determined to be in the best interest of the State and plan participants. Responses to the following sections will be part of this evaluation.

VOLUME I -- TECHNICAL PROPOSAL -- SPECIFIC RESPONSES

3.2 State whether you agree to each of the conditions as specified in Section 2 hereof. State any exceptions to the conditions of this RFP, and attach any contract language you require in order to serve as a discretionary manager as contemplated hereunder.

3.3 Give a concise summary description of your company and, if part of a publicly traded enterprise, attach a copy of a recent annual report.

3.4 Summarize the management structure of your company and give a concise statement of which persons will have primary responsibility for this contract, relevant biographical detail of such persons, briefly describing the responsibilities of each.

3.5 State whether your firm is registered with the SEC as a registered investment advisor and state the SEC licenses currently held by those individuals primarily responsible for performing investment selection or advisory services under this contract.

- 3.6 Submit a sample of reports actually issued for other similar clients in the past year.
- 3.7 Give concise summary information on your past performance as a manager for the last ten years. Include in this summary sufficient detail so that performance for similar and dissimilar clients can be evaluated through comparison to benchmark rates. Feel free to add concise comment on any exceptional or unique circumstance that added or detracted from the performance.
- 3.8 State the types of instruments and securities you propose for purchase by the fund, and state any conditions that you require as material conditions for such instruments. If you propose or purchase contracts issued by financial institutions operating outside the United States, or hedging instruments, provide detail here. Also provide in this section a brief description of any contemplated legal structure of the ICP that you deem necessary to serve as discretionary manager.
- 3.9 Submit proposed credit quality standards for the ICP.
- 3.10 Prepare a recommended investment strategy for the Maryland ICP, including maturity structure and the type of instruments/securities to be used.
- 3.11 If you will recommend a particular wrapper arrangement to ensure benefit responsiveness state so here, giving details of the contractual wrapper arrangement you desire to maintain. Also state in this section whether any particular wrapper arrangement/financial product is a condition of your offer. Note in this regard the conflict restriction of section 2.5.
- 3.12 Give a representative client list and other references. You should also state in this section: (a) total stable value assets under discretionary management by your firm; (b) the number of clients/accounts for such assets; and (c) the amount of assets and length of relationship for the three largest clients.
- 3.13 Additional Information: This section is optional, and should include if desired any additional information the Offeror deems relevant to this procurement and the satisfaction of the Board's objectives.

3.14 Company Literature (if applicable): If company literature or other material is intended to respond to any RFP requirement, it should be included in this section.

3.15 Completed Affidavits (one copy included in the original volume only).

3.16 **VOLUME II - FINANCIAL PROPOSAL - SPECIFIC RESPONSES**

This volume shall be labeled Stable Value Manager - Price. It must contain the Pricing proposal. Pricing must be expressed in percentage terms as set forth in section 2.14.

3.17 **EVALUATION METHODS**

A procurement committee made up of Board members serving on the investment committee will evaluate all proposals received. Such members will be assisted in the evaluation process by Board staff. Proposals will initially be divided into those that meet minimum qualifications and all other mandatory requirements (including procedural requirements, such as timeliness of submission), and those that do not. Those proposals meeting all minimum qualifications and mandatory requirements are termed responsible offerors; the procurement officer will notify those persons submitting proposals that are not so classified.

Proposals from responsible offerors will then be evaluated according to the following criteria, ranked in order of priority from most important to least important.

(a) Quality and thoughtfulness of investment plan and strategy proposed for this Plan pursuant to section 3.10, including proposed credit quality standards required by section 3.9, and types of proposed instruments as requested in section 3.8. In making this evaluation the Committee will examine and take into consideration how the proposed plan would likely perform under a variety of market conditions, and proponents of particular strategies should take that into consideration.

(b) Past investment results produced for similar and dissimilar clients, as shown in the submission required by section 3.7.

(c) General practical ability to efficiently coordinate detail among the relevant parties and transactions, e.g., the Board, insurance companies (or other investment houses) the administrator (NRS) and necessary banks and accounting firms, all as shown in the submissions required by sections 3.3, 3.4, 3.6 and 3.12.

(d) General experience, reputation, education and training of persons specifically designated to perform the Offeror's obligations under this contract, as shown in the submission required by section 3.4.

(e) General experience and reputation of the firm within the stable value fund/money management industry, as well as the overall financial analysis resources available within the firm, as shown in the submission required by sections 3.3 and 3.12.

(f) Price (but see below as to the timing of any price evaluation). Offerors should keep in mind that the Board believes this to be a competitive industry and as such price differentials among offerors are expected to be small.

The committee as assisted by staff shall evaluate the proposals under the standards described in subsections (a) - (f). The proposals shall then be divided into two groups: proposals reasonably susceptible of acceptance; and those not reasonably susceptible of acceptance. The proposals ranked as not reasonably susceptible of acceptance (because of the committee's judgment that they do not meet sufficiently high criteria under the evaluation standards) shall be so notified and shall not further participate in the evaluation process.

The remaining qualifying proposals shall be ranked in order of general preference by the Committee, and may, in the Committee's discretion, be subject to interview by one or more members of the Committee; but if any such interviews or discussions are conducted, they shall be conducted on substantially identical terms with all offerors submitting proposals judged reasonably susceptible of acceptance. After any such interviews are completed, the price proposals shall be opened by the procurement officer, and the price bids shall be given to the committee, for use in their final evaluation and ranking of all offerors, and selection of the most qualified Offeror in their judgment as fiduciaries required by law to manage the plan solely in the interest of participants. As part of this process the committee may request best and final offers (including best and final price offers) from offerors whose proposals are judged reasonably susceptible of acceptance.

Once the evaluation process is completed the committee shall recommend to the full Board of Trustees the Offeror deemed most qualified according to the standards set forth in this section, including price. If accepted by vote of the Board, the selected Offeror shall be required to complete necessary contract documents as specified elsewhere in this

RFP, and the formal contract shall be presented to the Board of Public Works for approval.