

**REQUEST FOR PROPOSALS FROM FINANCIAL ORGANIZATIONS
FOR THE PROVISION OF TRANSITION MANAGEMENT SERVICES
FOR THE DEFERRED COMPENSATION PLAN FOR EMPLOYEES OF
THE STATE OF NEW YORK AND OTHER PARTICIPATING PUBLIC
JURISDICTIONS ("PLAN")**

October 22, 2012

Designated Contact for this Procurement:

Mark Kline
Callan Associates

All contact/inquires shall be made by e-mail to the following address: kline@callan.com

I. PURPOSE

The State of New York, through the New York State Deferred Compensation Board (the “Board”), is seeking formal written proposals from financial organizations to provide transition management services to the Plan.

To be eligible for selection, the financial organization must be an organization duly authorized to do business in the State of New York, prior to the allocation of assets, which is (i) a registered investment adviser under the Investment Advisers Act of 1940, as amended, or (ii) a bank, as defined in that Act; or (iii) an insurance company qualified under the laws of more than one state to manage, acquire or dispose of assets of plans which meet the requirements for qualification under the Internal Revenue Code, governmental plans and eligible state deferred compensation plans.

This Request For Proposal is divided into seven sections. The sections include (I) Purpose, (II) Background, (III) Product Design Requirements, (IV) Timing and Procedures Governing Submission of Proposals, (V) Selection Process, (VI) Conditions and (VII) Questionnaire. In addition to the seven sections, this Request For Proposal includes the following exhibits:

- Exhibit A: Standard Clauses for all New York State Contracts
- Exhibit B: Affirmative Action/Equal Employment Opportunity/Non-Discrimination Policy
- Exhibit C: The Plan’s Procurement Guidelines
- Exhibit D: Policy and Guidelines for Implementing the New York State Procurement Lobbying Law, Sections 139-j and 139-k of the New York State Finance Law, Form ADM-28 (Application for Competitively Bid Contract)
- Exhibit E: Vendor Responsibility Questionnaire, Form ADM-288
- Exhibit F: Plan Assets by Investment Option.

Pursuant to the guidelines in Exhibit D, the designated contact person for this contracting opportunity during the restricted period will be Mark Kline at kline@callan.com.

II. BACKGROUND

The Plan is intended to satisfy the requirements for an eligible deferred compensation plan under Section 457 of the Internal Revenue Code of 1986, as amended (the “IRC”) applicable to governmental employers described in Section 457(e)(1)(B) of the IRC (such an eligible plan

being a “Section 457 Plan”). Plan participants are able to defer income into the Plan through automatic payroll deductions and direct the investment of such deferrals into the various Plan investment options. The Plan permits participants to allocate their deferrals to a pre-tax account or a Roth 457 account in accordance with Section 457. Deferrals to the pre-tax account, including any income attributable thereto, will not be included in the gross income of Plan participants until the taxable year or years in which such amounts are actually distributed to the participant or the participant’s beneficiary. Deferrals to the Roth 457 account will be taxable in the year of contribution and exempt from further income taxation in accordance with state and federal law. A copy of the current Plan Document is available on the Board’s website, <http://www.goer.ny.gov/nysdcp/> (under the New York State Deferred Compensation Plan - Participating Employers link). The Plan is governed by Section 457 of the IRC, Section 5 of the New York State Finance Law, Parts 9000 – 9006 of the New York State Code of Rules and Regulations (the “Rules and Regulations”), and all other applicable federal, state, and local laws and regulations.

Participants are currently given a choice of directing their contributions to any or all of the following investment options: (i) various no-load mutual funds managed by independent investment advisers; (ii) active and passive international equity portfolios managed by several underlying independent investment advisers; (iii) PCRA brokerage window and/or (iv) a Stable Income Fund consisting of a cash account, separate account investment contracts and wrapped fixed income separate accounts managed by registered investment advisers. All assets of the Plan are held in trust to comply with Section 457(g) of the IRC.

The benefits provided to any participant under the Plan depend upon the aggregate amount deferred and the investment performance of the investment options in which such amounts are invested. Plan participants may direct their future contributions to any of the investment options which are offered, may change their investment direction as to future contributions, and, subject to certain restrictions, may generally transfer their accumulated contributions and earnings from one investment option to another, on a daily basis. In addition, participants may take loans from their plan accounts and convert any pre-tax amounts to a Roth 457 account when eligible to receive a roll over eligible distribution.

As of August 31, 2012, the State and approximately 1,360 other public employers had adopted the Plan and approximately 195,000 employees were participating in the Plan. As of that date, assets in the Plan were approximately \$13.7 billion. Contributions to the Plan are currently being made at the rate of approximately \$72 million per month.

The following organizations currently provide administrative, custodian, trustee and investment services to the Plan:

Administrative Service Agency: Nationwide Retirement Solutions, Inc.

Custodian/Trustee: The Bank of New York Mellon

Auditor: CliftonLarsonAllen LLP

Stable Value Structure Manager: Dwight Asset Management Company

Investment Consultant: Callan Associates Inc.

Legal Counsel: Shearman and Sterling LLP

Transition Manager BlackRock Financial, Inc.

Financial Organizations:

No-Load Mutual Fund Providers: Columbia Management Distributors, Inc
Davis Selected Advisors, LP
Eaton Vance Management
Federated Shareholder Services company
Fidelity Shareholder Services Company
Hartford Securities Distribution Company, Inc.
Janus Capital Group
Morgan Stanley Investment Management, Inc.
Pax World Funds Series Trust I
Perkins Investment Management
Principal Funds Distributors, Inc.
T. Rowe Price Associates, Inc.
The Vanguard Group, Inc.
Wells Fargo Funds Management, LLC

International Equity

Separate Accounts:

Dimensional Fund Advisors
Manning & Napier Advisors, LLC
MFS Institutional Advisors, Inc.
Wellington Management Company, LLP
Northern Trust Global Investment Services

Stable Income Fund (the "Fund"):As of the end of October, the following organizations will provide services to the Fund:

Sub- Managers:

BlackRock Financial Management, Inc.
Babson Capital Management
Earnest Partners, LLC.
Goldman Sachs Asset Management, L.P.
ING Investment Management
Jennison Associates, LLC.
MacKay Shields LLC.

Wrap Issuers:

The Prudential Insurance Company of America
State Street Bank and Trust Company

Separate Account Issuers:

ING Life Insurance and Annuity Company
Massachusetts Mutual Life Insurance Company
New York Life Insurance Company

As of August 31, 2012, approximately \$7.5 billion was invested in 32 no-load mutual funds and two separately managed international equity portfolios. Under the current structure the international active portfolio consists of five underlying separate account managers, while the international passive portfolio has one underlying portfolio manager. Approximately \$6.0 billion in assets were invested in the Stable Income Fund. A detailed summary is provided in Exhibit F.

All payroll deductions are transmitted directly to the combined custodian and Trustee (hereinafter referred to as Trustee) by the State and local employers. The Trustee then allocates such funds among the Plan's investment options pursuant to instructions provided by the Plan's Administrative Service Agency and based on the aggregated directions of the Plan participants. In accordance with the Rules and Regulations, all funds received by the Trustee are transmitted to the appropriate investment options within two business days of receipt.

III. PRODUCT DESIGN REQUIREMENTS

- A.** Background. The Plan offers participants a range of no-load mutual funds. The balances of Plan assets invested in each of the current mutual funds offered by the Plan ranges from \$4 million to \$1 billion. If the Board was to elect to terminate one or more of its existing funds, it is possible, given the size of the Plan's participation in these funds, that a fund manager might elect to pay a portion of the amount distributed to the Plan in securities rather than in cash. Any securities distributed in connection with the termination of an existing fund (the "Securities") would need to be liquidated in an orderly manner so that the interests of participants in the Plan would be protected and the cash proceeds of such liquidation are maximized and applied at the earliest possible time to either (i) the purchase of shares in the replacement mutual fund selected by the Board, or (ii) the target portfolio allocation of the replacement mutual fund selected by the Board.

The Plan also has two unitized separate account international equity portfolios which are managed by several underlying investment managers. In the event one or more of the managers need to be replaced, a transition manager may be utilized in liquidating the portfolio in an orderly manner so that the interests of participants in the Plan would be protected and the cash proceeds of such liquidation are maximized and reinvested at the earliest possible time in accordance with the target portfolio allocation.

The Plan also has separate account fixed income portfolios in the Stable Income Fund which are managed by several underlying investment managers. In the event one or more of the managers need to be replaced, a transition manager may be utilized in liquidating the portfolio in an orderly manner so that the interests of participants in the Plan would be protected and the cash proceeds of such liquidation are maximized and reinvested at the earliest possible time in accordance with the target portfolio allocation.

- B.** Scope of Services Financial Organizations are being requested to make proposals to provide the following services to the Board and the Plan:
- Advise the Board on alternative strategies for managing and liquidating any Securities delivered in connection with the redemption of the Plan's interest in any existing fund or separate account in a manner that will minimize (i) the market risks to Plan participants, (ii) the cost and expenses to the Plan, and (iii) the period of time between the date on which amounts are distributed in connection with the redemption of the interests of the Plan in an existing fund or separate account and the date on which such amounts are invested in the replacement mutual fund or target portfolio selected by the Board. The Financial Organization should be able to advise the Board on appropriate hedging and other strategies to minimize risks to the Plan during the period of time during which the Securities are being liquidated and reinvested. The

Financial Organization should be capable of conducting an orderly sale and purchase program related to the Securities over an appropriate time frame that maximizes proceeds and minimizes costs.

- Provide investment management services for any Securities or cash distributed in connection with the redemption of the Plan's interest in a fund or separate account. The Financial Organization must be capable of managing the Securities or cash in a manner consistent with the investment category of the Fund or separate account from which such securities or cash are distributed.
- Offer brokerage services in connection with the reinvestment of cash or the sale and purchase of the Securities in a legacy fund to a target portfolio or fund as needed.
- Consult with the Board in its negotiations with the managers of the existing funds or separate accounts regarding the composition of any basket of Securities delivered in connection with the redemption of the interests of the Plan in an existing fund or separate account.
- Provide on-going communication before, during and after the transition to keep the Board, the custodian, the consultant and the potential target manager informed on a daily basis.
- Provide a final written report once the transition is complete that summarizes performance and costs through a post-trade analysis and supplemented by an independent party evaluation report, chosen by the Plan (i.e., Plexus, Elkins McSherry, Abel Noser, ITG, QSG, etc.).
- Participate in meetings or conference calls as needed to provide information to the Plan regarding the firm's management and performance in conducting the transition.
- Provide the Plan with timely information regarding material changes in the firm's organizational structure, transition team, and any other pertinent information which could affect the firm's ability to provide transition services.
- Act as a fiduciary during the transition management process.

The Board is specifically interested in the experience of each Financial Organization with similar assignments and its opinions on the advantages/disadvantages of different approaches with regard to market impact, length of time to conduct and complete the transaction, and transaction cost.

In addition, Financial Organizations should describe their proposals for measuring the effectiveness of the execution of this transaction and how the organization's performance should be evaluated, citing such benchmarks as implementation shortfall, opportunity

cost, etc. The Financial Organization should provide details of their staffing capabilities with regard to transition management describing the team structure that would be dedicated to this assignment. The Financial Organization should describe their capabilities to work with multiple asset classes.

The proposal must also include a detailed fee schedule disclosing any advisory/consulting fees, commission rates or other charges associated with the services proposed. The selected finalist must be capable of performing, and willing to perform, all of the above services as a fiduciary to the Plan and its participants.

IV. TIMING AND PROCEDURES GOVERNING SUBMISSION OF PROPOSALS

A. Calendar of Events

<u>Activity</u>	<u>Date</u>
1. Distribution of RFP	October 22, 2012
2. Closing date for Submission of Questions	November 2, 2012
3. Posting of Response to Questions	November 9, 2012
4. Closing Date for Submission of Proposals	December 5, 2012
5. Review by Consultant and Notification of Finalists Selected	On or about January 7, 2013
6. Presentations to the Board, Board Staff, and/or Board Advisers.	On or about January 21-25, 2013
7. Anticipated Notification of Successful Investment Managers	On or about February 25, 2013
8. Commencement of Contracts	On or about April 1, 2013

Submission of Questions:

Proposers may submit written questions regarding this RFP to the Plan no later than 5:00 p.m. (ET), Friday, November 2, 2012 via the internet only to kline@callan.com. Responses to all questions will be posted to the Board's website, and similar questions posed by

different proposers may be combined for a single response. While all questions will be answered, the entity submitting the question will not be identified.

B. Form and Substance of Proposals

All proposals must be in writing, must describe the scope of the services to be performed and clearly indicate all fees for the provision of services described herein. Proposals must fully disclose any sponsorship or similar arrangement. Proposals must indicate whether, over the past five years, your organization, or any officer or principal of your organization, has been involved in any business litigation or legal proceeding, including, without limitation, those matters involving the State or any agency or political subdivision thereof. If any business litigation or legal proceeding applies, you must provide a brief explanation and indicate the current status.

All contracts with the Board are subject to the terms of the Plan and the Rules and Regulations, as both are amended from time to time, and all other applicable requirements of State law. A copy of the Rules and Regulations may be obtained from the Board's web site, <http://www.goer.ny.gov/nysdcp>. The Board currently submits contracts to the Attorney General and Comptroller of the State of New York for review and approval. The Office of the State Comptroller requires that the selected proposer(s) meet the definition of a Responsible Vendor as defined by the State (more information is provided on the Office of the State Comptroller's web site, www.osc.state.ny.us/vendrep/index.htm). The Board is required to conduct a review of a prospective contractor to provide reasonable assurances that the vendor is responsible. In addition, all contractors must abide by the State's affirmative action considerations and the Plan's Procurement Guidelines. Please note that all proposals must be submitted by the same legal entity that fills out the Vendor Responsibility Questionnaire and that would be the party to the contract with the Board, if selected.

In accordance with subdivision 2 of section 5 of the New York State Finance Law, the Board is committed to ensuring the inclusion of MWBE Asset Managers and MWBE Financial and Professional Service Firms in requests for proposals or searches conducted by or on behalf of the Board with respect to the selection of service providers to the New York State Deferred Compensation Plan. Proposals should indicate if your organization, or any investment managers proposed for the mandate, are designated MWBE.

The standard clauses for State contracts, Affirmative Action Guidelines and the Plan's Procurement Guidelines are attached hereto as Exhibits A, B and C respectively. The Policy and

Guidelines for Implementing the New York State Procurement Lobbying Law, Sections 139-j and 139-k of the New York State Finance Law are attached as Exhibit D. The Vendor Responsibility Questionnaire, Form ADM-288, is attached as Exhibit E and the Plan Assets by Investment Option is attached as Exhibit F.

To receive consideration, all proposals must (i) conform to the specifications set forth in this RFP, (ii) include a fully completed questionnaire providing the information requested in **Section VII**. Additionally, the firm will be required to submit a fully completed Application for Competitively Bid Contract (ADM 28) and a Vendor Responsibility Questionnaire (ADM-288), Exhibits D and E. The proposal must also contain a representation that the proposal complies with all requirements of the Rules and Regulations. Neither the Board nor the State will be liable for any costs of work performed in the preparation and production of a proposal or for any work performed prior to the execution of an effective contract. By submitting a proposal, each proposer agrees not to make any claims for or to have any right to damages because of any misunderstanding or misinterpretation of the specifications, because of any misinformation or lack of information or because such proposer is not selected to provide the services proposed.

To receive consideration, **one (1) hard copy of all proposals and one CD containing pdf files of your full response** must be received at the following address no later than the close of business **Wednesday, December 5, 2012**.

New York State Deferred Compensation Plan
c/o Bo Abesamis
Executive Vice President
Callan Associates
101 California Street
San Francisco, CA. 94111

In addition, three hard copies and one CD should be sent to the following address:

New York State Deferred Compensation Board
Empire State Plaza Station
P.O. Box 2103
Albany, NY 12220-2103
Attn: Mr. Edward Lilly
Executive Director

Any financial organization that receives a copy of this RFP, but who declines to make a proposal is requested to send a formal "Decline to Make a Proposal" letter to the address below:

New York State Deferred Compensation Plan
c/o Bo Abesamis
Executive Vice President
Callan Associates
101 California Street
San Francisco, CA. 94111

C. Award or Rejection

All qualified proposals will be evaluated and an award will be made to the financial organization whose product represent the best option to the Plan and whose product is determined to be in the best interests of the Plan's participants.

The evaluation of proposals will be made by the Board based on information supplied in the financial organization's proposal including, without limitation, the provision of references by the proposer and verification thereof and such other available information which the Board determines advisable to consult. A summary of the information used in the selection process with regard to a responding financial organization, other than information received from such financial organization, will be made available to that financial organization upon written request, but not to any other responding financial organization. Callan Associates will be the independent consultant to the Board in the selection process.

V. SELECTION PROCESS

A. General Evaluation Criteria

In selecting a financial organization in response to the Request for Proposals, the Board will use criteria that comply with the requirements of the Rules and Regulations including sections 9003.2 and 9003.3 thereof in addition to the contract terms being offered by the contract provider. Examples of information that will be evaluated to rank proposals against these criteria are as follows:

- (i) the qualification of the organization as evidenced by the experience, reputation, and clients over a substantial period of time;

- a. Transition strategy and process.
 - b. Risk control measures.
 - c. Transition performance as measured by implementation shortfall.
 - d. Length of time offering transition services.
- (ii) the ability of the organization to meet its contractual obligations and to provide the services set forth herein;
- a. Stability of the firm as measured by its organizational structure and financial condition.
 - b. Organization's ability to provide the product described in Section III, Product Design Requirements.
- (iii) the organization's experience with plans that meet the requirement for qualification under the Code, including eligible state Section 457 Plans;
- a. Experience providing services to 457, 401 (k) and 403 (b) plans.
 - b. Number of plans serviced by size and type and categories of services provided.
- (iv) the organization's ability to interface with financial organizations with which the Board might have contact.
- a. Experience receiving assets from investment options managed by different financial organizations with which the Board has or may have a contract.
 - b. Experience transferring assets to investment options managed by different financial organizations with which the Board has or may have a contract.
 - c. Experience interfacing with the Plan's trustee Custodian.
- (v) the overall cost efficiency of the proposal;
- a. Fee structure.
 - b. Supplemental costs involved.
- (vi) the overall quality and scope of the services to be provided;
- (vii) the completeness of the proposal, including the filing and completeness of all required forms.

Each financial organization selected will be required to provide appropriate evidence of adequate insurance and adequate bonding in accordance with Section 9005.4 of the Rules and Regulations. The final determination as to whether adequate insurance and adequate bonding are provided by

the relevant financial organization will be made by the Board, in accordance with the Rules and Regulations, at the time of selection.

B. Review by Investment Consultant

Based on the criteria described above, Callan Associates will review and screen all bids and recommend finalists to the Board on or about January 7, 2013. All finalists will receive notice of their selection.

C. Presentations to Board

The Board, Board Staff and/or Board advisors may conduct interviews of selected finalists on or about January 21-25, 2013.

D. Notification of Selected Financial Organization(s)

It is anticipated that the selected financial organization(s) will be notified by the Board on or about February 25, 2012.

E. Terms of Contract

The Board expects to enter into a contractual arrangement for a five year term. The Board may extend this term for two additional one-year terms pursuant to the Board's Rules and Regulations and under the same terms and conditions of the original agreement. Upon the expiration of the contract, if the Board decides to award a new contract, competitive bidding procedures will be followed in awarding a new contract.

F. Contract Terms and Conditions

If awarded a contract, the financial organization will be required to submit certain forms and comply with the following information:

Equal Employment Opportunity

All proposers must submit an “Equal Employment Opportunity (EEO) Policy Statement” on their letterhead and signed by an official of the financial organization. The “EEO Policy Statement” must be submitted before a contract can be awarded.

Non-Discrimination/Americans with Disabilities Act (ADA)

The Plan does not discriminate on the basis of race, color, national origin, sex, religion, age, disability, or sexual orientation in the admission to, access to, or employment in its program or activities. A reasonable accommodation will be provided on request. Any product(s) developed as a result of this RFP must be in a format that can be converted for use by individuals with disabilities to meet the reasonable accommodation standards established by the Americans with Disabilities Act.

Rights Reserved

In order to serve the best interests of the Plan and its participants, the Board reserves the right to:

1. Postpone or cancel this RFP upon notification to all proposers.
2. Amend the specifications after their release with appropriate notice to all proposers.
3. Request proposers to present supplemental information clarifying their proposal, either in writing or in formal presentation.
4. Waive or modify minor irregularities in proposals received after prior notification to the proposer.
5. Reject any and all proposals received in response to this RFP.
6. Negotiate with the next highest rated proposer if negotiating a contract with the selected proposer(s) cannot be accomplished within an acceptable time frame. No proposer will have any rights against the Board or the Plan arising from such negotiations.
7. Make any payment contingent upon the submission of specific deliverables.
8. Negotiate all terms of the contract with the selected proposer, including fees, and make the selection contingent on successful negotiation of the contract.

Electronic Files or Data

Electronic files that are to be exchanged as a part of this proposal or as a product of the contract, must conform to the requirements of the Plan and the selected manager will be required to comply with the Information Security Breach and Notification Act (General Business Law Section 899-aa; State Technology Law Section 208).

Conflict of Interest

Proposers may be requested to provide evidence that the award of the contract from this RFP will not result in a conflict of interest with regard either to other work performed by the contractor, or a potential conflict of interest among specific contractor staff or subcontractors.

Indemnification

No proposer will be entitled to include a provision in the contract providing indemnification rights to the proposer. Any written contract with the Awarded financial organization will contain a provision acknowledging that no indemnification will be provided to the financial organization. Any contract will, however, be required to provide for the proposer's indemnification of the Board, the Plan, Plan participants, employers participating in the Plan, the Trustee and the staff of the Board in connection with the services provided.

Publicity

Publicity includes, but is not limited to, news conferences, news releases, advertising, brochures, reports, and/or presentations at conferences or meetings. The inclusion of materials, the name of the Plan, or other such reference to the Plan or the Board in any document or forum is considered publicity. News releases or any other public announcements regarding work to be performed under the contract may not be released without prior written approval from the Board.

Freedom of Information Law and Proposer's Proposals:

The purpose of the State's Freedom of Information Law ("FOIL"), which is contained in Public Officers Law Sections 84-90, is to promote the public's right to know the process of governmental decision making and to grant maximum public access to governmental records. Thus, a member of the public may submit a FOIL request for contracts awarded by the Board or for the proposals submitted to the Board in response to a RFP. After formal contract approval by the State Comptroller's Office, the proposal of the successful proposer and the proposals of the non-successful proposers are subject to disclosure under FOIL. Further information on this law is available at: www.dos.ny.gov/coog/foil2.html

Pursuant to Section 87(2)(d) of Public Officers Law, the Board may deny access to those portions of proposals or portions of a successful proposer's contract which are trade secrets or submitted to the Board by a commercial enterprise or derived from information obtained from a commercial enterprise and which if disclosed would cause substantial injury to the competitive

position of the subject enterprise. Please note that information, which you may claim as proprietary, copyrighted, or rights reserved is not protected from disclosure under FOIL.

If there is information in your proposal that meets the definition set forth in Section 87(2)(d) of the Public Officers Law, you must so inform the Board in a letter accompanying your proposal. This letter must contain the following information:

1. Identification by page, line, or other appropriate designation of that specific portion of the proposal which contains the information; **and**
2. A detailed justification of why disclosure of such information to the public under FOIL would cause substantial injury to your competitive position. Please note that the courts have ruled that a mere conclusory statement that certain information is a trade secret and that disclosure would cause injury to your competitive position is **insufficient** to protect it from disclosure under FOIL.

Failure to identify the information you believe should be protected by Section 87(2)(d) may result in such information being disclosed if a FOIL request is received.

It is your responsibility to contact an attorney with any questions about FOIL.

Tax Certification

State Tax Law Section 5-a requires that certain contractors with the Board must certify whether or not the contractor, its affiliates, its subcontractors and affiliates of the subcontractors are required to register to collect State sales and compensating use tax. If a contractor is required to register, the contractor must also certify that it is so registered with the State Department of Taxation and Finance (“DTF”).

- The selected proposer(s) will be required to complete and sign, under penalty of perjury the Contractor Certification Form ST-220-TD and submit a copy to the DTF and the Contractor Certification to Covered Agency Form ST-220—CA and submit a copy to the Board. More information regarding this requirement and copies of the required forms are available online at the Board’s website, <http://www.goer.ny.gov/nysdcp> (under the Procurement Opportunities and Information for Vendors link).

Vendor Responsibility

The Board is required to conduct a review of a proposer to provide reasonable assurances that the vendor is responsible. If selected, the contractor is required to complete a Vendor Responsibility Questionnaire, Form ADM-288 (see attached Exhibit E). Such questionnaire will require a certification by the contractor certifying to the accuracy of the information provided thereon. Please note that all proposals must be submitted by the same legal entity that fills out the Vendor Responsibility Questionnaire and that would be the party to the contract with the Board, if selected.

The Board or designated Board staff will make a finding of responsibility or non-responsibility, considering any information that comes to its attention concerning the contractor's responsibility. The Board or designated Board staff will contact the contractor should potentially negative information come to their attention in the proposal. If the Board finds a contractor to be non-responsible, a written notice will be provided detailing the reason(s) for the preliminary determination and an opportunity to be heard before the determination is finalized.

A contractor is required to update their responsibility determination if a material event occurs during the contract term requiring an amendment.

Relationship Between the Board and Contractor

The relationship of the selected financial organization to the Board shall be that of an independent contractor. In accordance with such status as an independent contractor, the contractor covenants and agrees to act consistent with such status: to neither hold itself out as, nor claim to be, an officer or employee of the Plan or the State by reason hereof; and not to, by reason hereof, make any claim, demand, or application to or for any right or privilege applicable to an officer or employee of the Plan, including but not limited to workers' compensation coverage, unemployment benefits, social security coverage, or retirement membership credit.

Information Security

Any selected contractor is required to comply with the provisions of the New York State Information Security Breach and Notification Act (General Business Law Section 899-aa; State Technology Law Section 208). A contractor shall be liable for the cost associated with such breach if caused by Contractor's negligent or willful acts or omissions of the Contractor's agents, officers, employees or subcontractors.

Cancellation

Cancellation for Convenience: The Board retains the right to cancel the contract without reason provided that the contractor is given written notice of its intent to cancel. This provision should not be understood as waiving the Board's right to terminate the contract for cause or stop working immediately for unsatisfactory work, but is supplementary to that provision.

Contract Termination Provision

The Board reserves the right to terminate any contract resulting from this RFP in the event it is found that the certification filed by the Contractor in accordance with New York State Finance Law Sections 139-j and 139-k was intentionally false or intentionally incomplete.

If a contractor fails to make the certifications required by Section 5-a of the New York State Tax Law, the contract cannot take effect. If during the term of the contract, the Tax Department or the covered agency discovers that a certification was false, then such false certification may subject the contractor to civil or criminal sanctions, and a finding of non-responsibility for future procurements. Under certain circumstances, the statute provides that the contract shall be subject to termination if the covered agency determines that termination of the contract is in the best interest of New York State.

VI. CONDITIONS

Responding financial organizations are advised to become familiar with all conditions, instructions, and specifications governing this RFP, as well as the Rules and Regulations and the terms and provisions of the Plan (all of the foregoing hereinafter referred to as the "Conditions"). The Conditions shall be incorporated by reference into the final contract. Once a proposal has been accepted, (i) the selected financial organizations shall not refuse to enter into a contract where such refusal is based on an objection to any of the Conditions and (ii) the selected financial organizations shall not be entitled to additional compensation, or to alter the terms of its proposal as a result of an objection to any of the Conditions. Responding financial organizations are further advised that the Board may refuse to accept any proposal not accompanied by a representation that the selected financial organizations (i) will provide to the Board's legal counsel within seven days of selection a contract complying with all terms required by this RFP; and (ii) will make available all resources necessary to ensure that an agreement acceptable to the Board is negotiated within thirty days of selection, or such other shorter period as the Board may announce prior to selection. The Board reserves the right, to the extent permitted by law, to

make all final determinations about whether a financial organization has adequately satisfied the Conditions. The Board shall not be deemed to have waived any requirement set forth in this RFP unless the Board agrees to such a waiver in writing.

VII. CONTRACT QUESTIONNAIRE

FIRM HISTORY AND EXPERIENCE

1. Firm Name: _____

Address: _____

Telephone: _____

Contact(s)/Title: _____

Email address: _____

2. History & Background

- a. Describe the ownership of your firm. Specify whether ownership is public or private, identify major owners (holders of 10% or more of equity in the company), and the major owners' working interests in the operation and investment management phases of the organization. Include any recent or anticipated changes in the ownership structure. How long have the principals been in place?
- b. Describe your firm's business plan. What are the long-term objectives of your firm? Discuss the financial strength and stability of your firm, including your capital position. Provide a copy of your most recent annual report.
- c. Provide the year your firm began providing transition management (portfolio liquidation) services, and briefly describe your organization's background and experience in transition management.
- d. Describe any commercial or business relationship that your company, including the parent company, any holding company and subsidiaries and affiliates or any outside investment manager, subsidiaries and affiliates, has had with Dwight Asset Management Company, (Stable Value Structure Manager of the Fund), Goldman Sachs (parent company to Dwight Asset Management Company), Callan Associates, (Investment Consultant to the Fund) or Shearman and Sterling, (Legal Counsel to the Fund), or with any of their subsidiaries or affiliates.

- e. Is your firm registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940?
- f. State whether your organization is a “qualified professional asset manager (QPAM)” as defined in the Department of Labor Prohibited Transactions Exemption 84-14.
- g. Provide a copy of your most recent ADV, SAS 70, or Form 10-K.
- h. Provide a current organizational chart of your firm and proposed transition management department listing individuals that would be responsible for the management of the proposed services.
- i. Discuss briefly your firm’s disaster recovery plan. When was the plan last updated?
- j. Provide the date when your organization became duly authorized to do business in the State of New York. If you are not currently authorized, provide the date which you would anticipate being duly authorized.
- k. Describe your firm’s levels of coverage of SEC required fidelity bonds and errors and omissions insurances. Are these levels in excess of SEC requirements? List any additional insurance the firm has to indemnify transition management clients against losses.
- l. Please disclose any discipline and/or sanctions levied by the SEC, NASD, or any other regulatory authority against your firm within the last five years.
- m. Disclose all litigation and arbitration hearings (and their status or resolution) involving your organization within the last five years. Specifically note litigation and arbitration hearings specific to transition management.
- n. If your firm provides temporary tracking portfolio management services, is your firm a registered investment advisor and, if so, describe your experience in providing tracking portfolio management and/or beta management services.

TRANSITION MANAGEMENT MODEL

3) Indicate which of the following best describes your organization’s model for providing transition management services:

- a. Investment Bank _____
- b. Asset Management Affiliate _____
- c. Custody Affiliate _____
- d. Consulting Affiliate _____

- e. Other, please describe _____
- 4) Discuss the advantages of your model for providing transition management services.
 - 5) Discuss the disadvantages of your model for providing transition management services.
 - 6) Indicate whether your firm subcontracts any portion of transition management to a third party. Please disclose any “potential” conflicts of interest that are present within your model. Discuss how your organization ensures that transition management clients are not harmed.
 - 7) Would your firm be willing to act as a fiduciary as defined by the Investment Advisors Act of 1940 and/or ERISA? If so, please discuss in detail what makes your firm a fiduciary.
 - 8) Specific to question #7 above, discuss whether or not your fiduciary model encompasses the following:
 - Provide at a minimum three (3) options to effectuate a transition (liquidation) detailing the costs and pros & cons for each, and recommendation.
 - Vote proxies during the transition period.
 - Responsible for mandatory and voluntary corporate actions.
 - Investment discretion and control of the transition/legacy portfolio(s) absent a target portfolio(s) and, if so, maximum length of such investment discretion.
 - Apply all forms of risk management tools and derivatives (i.e., ETFs, Futures, Swaps, etc.) to manage tracking error and mitigate risk.
 - Ensure best execution in the selection and evaluation of broker execution outlets whether on an agency or principal basis.
 - Disclose all sources of revenue, including the other side of the trade.
 - Curtail information leakage, including pre-hedging and front running activities detrimental to the Plan.
 - Disclose all aspects of foreign currency execution, including all sources of revenue.
 - Accept and report using the T-Standard as the relevant measure for Implementation Shortfall.
 - Able to contract in writing as a fiduciary.

- Accept that what is in the best interest of the Plan and its beneficiaries is of paramount importance and may not necessarily be aligned with the best interest of the provider.

If your fiduciary model does not encompass any of the above, please discuss in detail.

- 9) If your firm is not willing to act as a fiduciary (if the answer to question #7 above is “No”), would your firm arrange for another organization to provide fiduciary oversight? If so, please discuss this arrangement.
- 10) Consistent with your proposed method of providing fiduciary services to the Plan, and if applicable, provide at least two examples where your firm has acted as fiduciary or arranged for fiduciary oversight.

EXPERIENCE

- 11) Describe the largest and most complex transition your current portfolio transition team has completed.
- 12) Does your firm have experience performing transitions involving multiple asset class mandates, including global equity and fixed-income mandates? If yes, please provide details.
- 13) Please indicate in the tables below the total number of transitions your firm has performed during the last five years, including the corresponding volume and round-trip market value.

Total Transitions

Year	Number of Transitions	Number of Shares and/or Units	Total Market Value (round-trip) (\$ millions)
2007			
2008			
2009			
2010			
2011			
2012 YTD			

Total Domestic Equity Transitions excluding Domestic Small Cap

Year	Number of Transitions	Number of Shares and/or Units	Total Market Value (round-trip) (\$ millions)
2007			
2008			
2009			
2010			
2011			
2012 YTD			

Total Domestic Small Cap Equity Transitions

Year	Number of Transitions	Number of Shares and/or Units	Total Market Value (round-trip) (\$ millions)
2007			
2008			
2009			
2010			
2011			
2012 YTD			

Total Non-US Equity excluding Emerging Markets Transitions

Year	Number of Transitions	Number of Shares and/or Units	Total Market Value (round-trip) (\$ millions)
2007			
2008			
2009			
2010			
2011			
2012 YTD			

Total Emerging Markets Transitions

Year	Number of Transitions	Number of Shares and/or Units	Total Market Value (round-trip) (\$ millions)
2007			
2008			
2009			
2010			
2011			
2012 YTD			

Total US Domestic Fixed Income Transitions

Year	Number of Transitions	Number of Shares and/or Units	Total Market Value (round-trip) (\$ millions)
2007			
2008			
2009			
2010			
2011			
2012 YTD			

Total Non-US Fixed Income Transitions

Year	Number of Transitions	Number of Shares and/or Units	Total Market Value (round-trip) (\$ millions)
2007			
2008			
2009			
2010			
2011			
2012 YTD			

Total FX Transitions

Year	Number of Transitions	Number of Shares and/or Units	Total Market Value (round-trip) (\$ millions)
2007			
2008			
2009			
2010			
2011			
2012 YTD			

14) Please indicate the total number of transition management mandates completed over the last three years ending December 31, 2011 in the following table:

Market Value Size (round-trip)	Number of Transitions	Total Market Value (round-trip) (\$ millions)
Less than \$500 million		
\$500 million to \$1 billion		
\$1 billion to \$3 billion		
Greater than \$3 billion		

15) Please discuss your experience providing asset transition services to large tax-exempt institutional funds over \$5 billion in plan assets.

16) What is the total number of transitions completed for public pension fund clients during the three-year period ending December 31, 2011? Please specify name, portfolio mandates and the corresponding market value of assets.

Client Name	Asset Size	Asset Class Mandate	Was your Firm Contracted and/or Acted as a Fiduciary?

TEAM

17) Do you have a dedicated transition management team? If yes, how many dedicated professionals comprise the team? Provide their names, responsibilities, location(s), and experience (including years with your firm and within the industry).

18) Please provide names, brief profiles of individuals who are 100% dedicated and responsible for transition management services, including trading, risk management, client servicing, and marketing? Separate out any individuals not 100% dedicated to transition management (i.e. program/sales trading for money manager clients or for other related business lines). Complete the following table. (*NOTE: Add CFA & other professional designations.)

Name of Professional	Title/ Responsibilities	Years of Exp.	Yrs w/ Firm	Years with Firms' TM Unit	* Degrees/ Designations	Sponsoring Body/ School

19) Please complete the following table.

Functional area	# Staff
Trading Analysis (e.g., pre- and post-trade) and trading coordination	
Transition Strategists	
Transition Portfolio Management	
Trading and Execution	
Transition Support and Custody Interface	
Compliance and Risk Management	
Client Service/Relationship Management	
Sales and Marketing	
Legal Counsel and Support	
All Other: Identify by functional area, including administrative support; add lines as necessary and provide totals.	

Functional area	# Staff
Total as of June 30, 2012	

20) Describe in detail all turnover within your transition team for the three-year period ending December 31, 2011. Identify all individuals that have either joined or departed the team during this time period. How long has your existing transition management team been in place?

21) Complete the table below as specified.

Personnel Turnover						
Date	Name/Title	Responsibilities	Years at Firm	Reason for Leaving	Replaced by (name/title)	
<u>Departed:</u>						
2007						
2008						
2009						
2010						
2011						
2012 YTD						
<u>Joined:</u>						
2007						
2008						
2009						
2010						
2011						
2012 YTD						
<u>SUMMARY:</u>						
	2007	2008	2009	2010	2011	2012 YTD
Total # of Professionals						

# Joined						
# Departed						
% Turnover						

22) Is your transition management separate and distinct from your program trading arm. Discuss your answer.

23) Where is your transition management team based? Discuss how your firm “hands-off” international trades over multiple time zones. Who oversees the entire trade?

TRANSITION MANAGEMENT

24) What distinguishes your transition management services from the services provided by your competitors?

25) Describe your process and analytics used for determining the most appropriate means of trade execution (i.e. principal versus agency, or some combination).

26) Discuss the unique characteristics and issues associated with transitioning global equity and fixed-income, including emerging markets and foreign currency.

27) Based on your transition experience, enumerate specific countries that can be problematic to any transition and provide explanation for each.

28) Do you have a risk and compliance team that monitors the transition process? Describe your risk and compliance process.

29) Describe how your firm monitors and controls tracking error during a transition. Provide sample calculations, including the use of derivatives and optimization techniques.

30) Describe how your firm maintains market exposure for a specific asset class during a transition.

31) Describe in detail how your firm manages the various operational risks associated with transitions containing domestic and international markets, such as delivery and settlement failures, and effective communication with the custodian and legacy and target managers.

32) What is your process to ensure the confidential treatment of information related to a transition?

- Discuss all steps taken to eliminate information leakage to external sources.
- Discuss all steps taken to eliminate information leakage to groups and employees within your firm and organization.

- 33) How does your firm minimize the risk associated with the foreign exchange required to settle trades? Would you recommend that another party execute the required currency transactions?
- 34) Specifically with respect to foreign exchange, what would your firm consider to be an appropriate benchmark for evaluating transactions that are part of the transition?
- 35) How does your firm ensure best execution of foreign exchange? Do you provide supporting documentation (e.g., time stamp, hi-lo monitoring, etc.) specific to the competitiveness of the foreign exchange? Do you have stated policies or guidelines specific to foreign exchange transactions specific to transition management?
- 36) How does your firm typically handle transitions involving a large number of small cap equities, emerging market equities, and high-yield fixed-income? What problems do you typically encounter when transitioning emerging market assets?
- 37) How does your firm typically handle transitions involving global equity and fixed-income mandates? What would you do differently if the transition involved only global equity, only fixed-income, or both global equity and fixed income?
- 38) Describe your firm's use of the following for both non-U.S. and U.S. equity and fixed income transitions: in-kind transfers, internal crossing, external crossing networks, primary exchanges, and principal trades. Specify the percentages for each source of liquidity noted above for transitions involving equities completed for the past three years ending December 31, 2011.

Sources of Liquidity	Percentage
In-Kind Transfer	
Internal Crossing	
External Crossing	
Primary Exchanges/Open Market	
Principal Trades/Risk Based	

- 39) Complete the tables below by providing the requested information for each execution method for each asset class.

a. For U.S. equity

Execution Method	Market Value	% of Total Market Value

In-kind transfer		
Internal Crossing		
External Crossing		
All other Open-Market (Agency)		
Principal/Risk Based Capital		
Total		100%

b. For non-U.S. equity

Execution Method	Market Value	% of Total Market Value
In-kind transfer		
Internal Crossing		
External Crossing		
All other Open-Market (Agency)		
Principal/Risk Based Capital		
Total		100%

c. For U.S. fixed income

Execution Method	Market Value	% of Total Market Value
In-kind transfer		
Internal Crossing		
External Crossing		
All other Open-Market (Agency)		
Principal/Risk Based Capital		
Total		100%

d. For non-U.S. fixed income

Execution Method	Market Value	% of Total Market
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		Value
In-kind transfer		
Internal Crossing		
External Crossing		
All other Open-Market (Agency)		
Principal/Risk Based Capital		
Total		<i>100%</i>

e. For Foreign Currency Executions

Execution Method	Market Value	% of Total Market Value
In-kind transfer		
Internal Crossing		
External Crossing		
All other Open-Market (Agency)		
Principal/Risk Based Capital		
Total		<i>100%</i>

- 40) Provide your definition of a “dark pool”. Identify internal “dark pools” that you would deploy for crossing purposes and to minimize trades. How can your firm assure that the above “dark pools” does not disadvantage the Plan and consistent with acting as a fiduciary and full disclosure.
- 41) Specific to the “dark pools”, what is the average \$US size over the last year ending December 31, 2011? Are the “dark pools” sub-divided into domestic equities, international equities, foreign exchange, and fixed-income?
- 42) What are the costs and fees associated with your “dark pools” of assets?
- 43) Specific to crossing, how is your organization able to achieve zero cost either internal or external crossing? Provide all costs associated with crossing transactions, external or internal.
- 44) Are you able to cross FX transactions? Please describe the extent of your capability and experience in FX crossings.

- 45) Identify and define in detail all costs associated with a transition, both explicit and implicit. Provide sample calculations and measurements.
- 46) Identify and define in detail all sources of revenue for your firm when conducting a transition. Include commissions, markups and foreign exchange in addition to all other revenue sources.
- 47) Are the sources of revenue (both composition and magnitude) noted above different if your firm is a fiduciary or arranges for fiduciary oversight? If yes, please explain.
- 48) Describe your approach to measuring the success of a transition. Also discuss the benchmarks preferred by your firm when evaluating the performance of a transition.
- 49) Explain how corporate actions are monitored during the transition period. Who is responsible for voting the proxies?
- 50) Does your firm have any experience with transitions involving securities that are out on loan (securities lending)? Please describe your process of assessment specific to recall procedures, tracking impairment of the cash collateral, gating or redemption restrictions, and how to avoid triggering the realization of losses.
- 51) How does your firm ensure that securities being liquidated are not out on loan?
- 52) Does your firm have any distinct knowledge and capabilities with regard to securities lending?
- 53) How does your firm manage derivatives and/or synthetic instruments embedded within a portfolio to be liquidated? What is the tracking mechanism for such instruments?
- 54) Are you able to handle transitions involving 130/30, market neutral, long-short portfolios and other alternative investment strategies? Please describe your distinct capabilities and experience in unwinding such complex portfolios.
- 55) Does any other part of your firm or affiliates benefit from revenues from your transition business? Provide your revenue source disclosure policy.
- 56) Has your firm signed a revenue source attestation with previous clients? If yes, please provide a copy of that attestation (Sample agreements or contracts should be an actual photo copy image. Client names must be blocked out.). Will your firm be willing to sign a revenue attestation for all transition events performed on behalf of the Plan?

ANALYSIS AND REPORTING

- 57) Discuss in detail the analysis of a planned transition that can be produced by your firm, and provide a sample pre-trade report. Define all measurement methodologies.

- 58) Specify whether or not you are able to provide real-time access for clients and/or managers to monitor trading activity during a transition. Describe your firm's capabilities with respect to this area.
- 59) Discuss in detail your firm's post-trade analysis and reporting of a completed transition. Provide a sample post-trade report, and define all measurement methodologies. Include a sample attribution of differences between pre-trade estimates and post-trade results.
- 60) Is your firm able to accept and agree in writing to the following Disclosure Requirements? If your firm is unable and/or unwilling to agree in writing to any part of this disclosure, please explain why.

Execution Disclosure:

Unless specifically requested and agreed to otherwise, Transition Manager will act only in an agency capacity at a firm level for all security and currency transactions. In other words, transactions booked to the Transition Client will be booked on an agency basis and any inter-company or affiliated transactions of the Transition Manager firm will also be conducted on an agency basis.

Upon request, date and time stamped individual printed data will be provided, where available, for all transaction of securities and currencies.

If Transition Manager has been specifically authorized to transact for the plan in a principal capacity, Transition Manager will not engage in any pre-hedging type activities unless specifically authorized to do so.

Transition Manager will disclose all sources of revenue generated by itself and/or any of its affiliates in conjunction with the use of, or transactions in, the assets of the plan. These revenues could include, but are not limited to:

- Commissions generated by Transition Manager and/or its affiliates from the counterparties of the plan's transactions, both in terms of the cumulative amount (as a % of notional value) of activity crossed internally and the average commission level generated from such transactions.*
- Any realized profit or loss at the culmination of the transition to Transition Manager and/or its affiliates as a result of securities and/or currency transactions affected in a principal capacity.*
- Any unrealized profit and/or loss to Transition Manager and/or its affiliates as a result of securities and/or currency transactions affected in a principal capacity. The mark to market for these open positions shall be as of the close of the day of the last transaction of the transition event.*
- Any potential revenue sharing agreements and/or payments for order flow agreements with affiliates and/or outside parties.*

Reporting Disclosure:

In order to assist the client to track performance and understand costs and fees associated with the services:

- *Transition Manager will provide an estimation of all costs of the transition event, in dollar terms relative to the assets of the legacy portfolio, prior to beginning the event.*
- *Transition Manager will provide a performance measurement of the transition event, in accordance with the T-standard within one week of completion of the event.*
- *Transition Manager will provide regular updates (daily at a minimum) as to the progress and performance of the event.*
- *Transition Manager will provide a post event review at a time that is convenient to the Board after completion of the event that includes a performance comparison relative to the original cost estimation.*

FEES

61) What is your customary fee or rate for transition services within the context of what the Plan is trying to implement and accomplish? Kindly use the following table.

Domestic Equity Assets

Asset Size	Cents per Share	Basis Point
Less than \$100 million		
\$100 million to \$500 million		
\$500 million and up		

Domestic Small-Cap Equity Assets (if different than above)

Asset Size	Cents per Share	Basis Point
Less than \$100 million		
\$100 million to \$500 million		
\$500 million and up		

Non-U.S. Developed Equity Market Assets

Asset Size	Cents per Share	Basis Point
Less than \$100 million		
\$100 million to \$500 million		
\$500 million and up		

Emerging Market Assets

Asset Size	Cents per Share	Basis Point
Less than \$100 million		
\$100 million to \$500 million		

\$500 million and up		
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Domestic Fixed-Income Assets

Asset Size	Cents per Share	Basis Point
Less than \$100 million		
\$100 million to \$500 million		
\$500 million and up		

Non-US Fixed-Income Assets

Asset Size	Cents per Share	Basis Point
Less than \$100 million		
\$100 million to \$500 million		
\$500 million and up		

62) Is the fee based on cents per share and as a percentage of market value on the full round trip market value? Is the fee negotiable?

63) Specific to your fiduciary/discretionary transition management capability, what is the cost or asset management fee associated with such a service? Describe how the length or complexity of a discretionary transition management service (e.g., temporary tracking portfolio assignment) would impact the cost or asset management fee? If there is no cost, is it included in your cents per share or basis point fee identified above?

REFERENCES

64) Provide a minimum of three public pension fund client references for whom you have conducted a transition involving multiple asset classes and acting as a fiduciary over the last three years. Include the name, title and telephone number of an individual for us to contact.