

**CONSULTING SERVICES ITQ
CONTRACT 4400007410**

REQUEST FOR QUOTATIONS FOR

Special Funds Investment Consultant

ISSUING OFFICE

**Pennsylvania Insurance Department
on behalf of the
Bureau of Special Funds**

RFQ NUMBER

2015-001

DATE OF ISSUANCE

April 29, 2015

This is a restricted solicitation under the Commonwealth's Consulting Services, Invitation to Qualify (ITQ), - Contract #4400007410. Only those contractors qualified in the following service category(s) under Contract #4400007410 may submit a proposal in response to this RFQ.

- **Financial Services - Financial**
- **Actuarial Services – Actuarial Consultant Pensions/Investment Part 2**

For more information about the Consulting Services ITQ, please click on the following link.

http://www.portal.state.pa.us/portal/server.pt/community/invitation_to_qualify/4641/wher_to_star_t/495422

REQUEST FOR QUOTATIONS
FOR
Special Funds Investment Consultant

TABLE OF CONTENTS

CALENDAR OF EVENTS	iii
Part I—GENERAL INFORMATION	1
Part II—PROPOSAL REQUIREMENTS	9
Part III—CRITERIA FOR SELECTION	14
Part IV—WORK STATEMENT	19
APPENDIX A, PROPOSAL COVER SHEET	
APPENDIX B, DOMESTIC WORKFORCE UTILIZATION CERTIFICATION	
APPENDIX C, COST SUBMITTAL	
APPENDIX D, EXPERIENCE, PERSONNEL AND STAFFING QUESTIONNAIRE	
APPENDIX E, SMALL DIVERSE BUSINESS LETTER OF INTENT	
APPENDIX F, LOBBY CERTIFICATION FORM	
APPENDIX F-1, DISCLOSURE OF LOBBYING ACTIVITY FORM	
APPENDIX G, TRADE SECRET FORM	
APPENDIX H, SAMPLE MONTHLY REPORT	
APPENDIX I, SAMPLE QUARTERLY REPORT	
APPENDIX J, INVESTMENT GUIDELINES WCSF	
APPENDIX K, INVESTMENT GUIDELINES USTIF	
APPENDIX L, MANAGERS AND ALLOCATION SUMMARY	

CALENDAR OF EVENTS

The Commonwealth will make every effort to adhere to the following schedule:

Activity	Responsibility	Date
Deadline to submit Questions via email to: Lori Trout ltrout@pa.gov	Contractors	May 13, 2015 by 11:00 AM EST
Answers to Potential Contractor questions posted to http://www.dgsweb.state.pa.us/RTA/Search.aspx no later than this date.	Issuing Office	May 20, 2015
Please monitor the website for all communications regarding the RFQ.	Contractors	Ongoing
Sealed proposal must be received by the Issuing Office at the following mailing address: Pennsylvania Insurance Department Bureau of Administration Attn: Lori Trout, RFQ 2015-001 1326 Strawberry Square Harrisburg, PA 17120	Contractors	May 27, 2015 By 3:00 PM EST

PART I
GENERAL INFORMATION

I-1. Purpose

This Request for Quotes ("RFQ") provides sufficient information to qualified Contractors to enable them to prepare and submit proposals for the Pennsylvania Insurance Department's Bureau of Special Funds consideration on behalf of the Commonwealth of Pennsylvania ("Commonwealth") to satisfy a need for Special Funds Investment Consultant ("Project").

I-2. Issuing Office

The Insurance Department on behalf of the Bureau of Special Funds ("Issuing Office") has issued this RFQ on behalf of the Commonwealth. The sole point of contact in the Commonwealth for this RFQ shall be Lori Trout, 1326 Strawberry Square, Harrisburg, PA 17120, ltrout@pa.gov, the Issuing Officer for this RFQ. Please refer all inquiries to the Issuing Officer.

I-3. Scope

This RFQ contains instructions governing the requested proposals, including the requirements for the information and material to be included; a description of the service to be provided; requirements which Contractors must meet to be eligible for consideration; general evaluation criteria; and other requirements specific to this RFQ.

I-4. Problem Statement

The investment committee, comprised of individuals from the Pennsylvania Insurance Department and the Pennsylvania Treasury, desires to secure investment consultant services related to the Workers' Compensation Security Fund ("WCSF") and the Underground Storage Tank Indemnification Fund ("USTIF") (collectively the "Special Funds"). Additional detail is provided in **Part IV** of this RFQ.

I-5. Preproposal Conference.

There will be no Pre-proposal conference for this RFQ.

I-6. Questions and Answers

If a Contractor has any questions regarding this RFQ, the Contractor must submit the questions by email (with the subject line "Consulting Services ITQ RFQ 2015-001 Question") to the Issuing Officer. If the Contractor has questions, they must be submitted via email no later than the date and time specified in the Calendar of Events. The Contractor shall not attempt to contact the Issuing Officer by any other means. The Issuing Officer shall post the answers to the DGS website.

A Contractor who submits a question *after* the deadline date for receipt of questions indicated on the Calendar of Events assumes the risk that its proposal will not be responsive or competitive because the Commonwealth is not able to respond before the proposal receipt date or in sufficient time for the Contractor to prepare a responsive or

competitive proposal. When submitted after the deadline date for receipt of questions indicated on the Calendar of Events, the Issuing Officer *may* respond to questions of an administrative nature by directing the questioning Contractor to specific provisions in the RFQ. To the extent that the Issuing Office decides to respond to a non-administrative question *after* the deadline date for receipt of questions indicated on the Calendar of Events, the answer will be provided to all Contractors through an addendum.

All questions and responses as posted on the Department of General Service's (DGS) website are considered as an addendum to, and part of, this RFQ. Each Contractor shall be responsible to monitor the DGS website for new or revised RFQ information. The Issuing Office shall not be bound by any verbal information nor shall it be bound by any written information that is not either contained within the RFQ or formally issued as an addendum by the Issuing Office.

I-7. Addenda to RFQ

If the Issuing Office deems it necessary to revise any part of this RFQ before the proposal response date, the Issuing Office will post an addendum to the DGS website. Answers to the questions asked during the Questions & Answers period also will be posted to the DGS website as an addendum to the RFQ.

I-8. Electronic Version of RFQ

This RFQ is being made available by electronic means. The Contractor acknowledges and accepts full responsibility to insure that no changes are made to the RFQ. In the event of a conflict between a version of the RFQ in the Contractor's possession and the Issuing Office's version of the RFQ, the Issuing Office's version shall govern.

I-9. Response Date

To be considered, proposals must arrive at the Issuing Office on or before the time and date specified in the RFQ Calendar of Events. Contractors who mail proposals should allow sufficient mail delivery time to ensure timely receipt of their proposals. If, due to inclement weather, natural disaster, or any other cause, the Issuing Office location to which proposals are to be returned is closed on the proposal response date, the deadline for submission shall be automatically extended until the next Commonwealth business day on which the office is open, unless the Contractors are otherwise notified by the Commonwealth. The time for submission of proposals shall remain the same. Late proposals shall not be considered.

I-10. Incurring Costs

The Issuing Office is not liable for any costs the Contractor incurs in preparation and submission of its proposal, in participating in the RFQ process or in anticipation of receipt of the purchase order.

I-11. Economy Of Preparation

Contractors should prepare proposals simply and economically, providing a straightforward, concise description of the Contractor's ability to meet the requirements of the RFQ.

I-12. Small Diverse Business Information.

The Issuing Office encourages participation by small diverse businesses as prime contractors, and encourages all prime contractors to make a significant commitment to use small diverse businesses as subcontractors and suppliers.

A Small Diverse Business is a DGS-verified minority-owned business, woman-owned business, veteran-owned business or service-disabled veteran-owned business.

A small business is a business in the United States which is independently owned, not dominant in its field of operation, employs no more than 100 full-time or full-time equivalent employees, and earns less than \$7 million in gross annual revenues for building design, \$20 million in gross annual revenues for sales and services and \$25 million in gross annual revenues for those businesses in the information technology sales or service business.

Questions regarding this Program can be directed to:

Department of General Services
Bureau of Small Business Opportunities
Room 611, North Office Building
Harrisburg, PA 17125
Phone: (717) 783-3119
Fax: (717) 787-7052
Email: gs-bsbo@pa.gov
Website: www.dgs.state.pa.us

The Department's directory of BSBO-verified minority, women, veteran and service disabled veteran-owned businesses can be accessed from: [Searching for Small Diverse Businesses](#).

I-13. Proposals

To be considered, Contractors must submit a complete proposal to this RFQ, using the format provided in PART II, providing **eight (8) paper copies of the Technical Submittal and two (2) paper copies of the Cost Submittal and two (2) paper copies of the Small Diverse Business Submittal**. In addition to the paper copies of the proposal, Contractors shall submit **two (2) complete and exact copies of the entire proposal** (Technical, Cost and Small Diverse Business Submittals, along with all requested documents) on CD-ROM or Flash drive in Microsoft Office or Microsoft Office-compatible format. The electronic copy must be a mirror image of the paper copy and any spreadsheets must be in Microsoft Excel. The Contractors may not lock or protect any cells or tabs. Contractors should ensure that there is no costing information in the technical submittal. Contractors should not reiterate technical information in the cost submittal. The CD or Flash drive should clearly identify the Contractor and include the name and version number of the virus scanning software that was used to scan the CD or Flash drive before it was submitted. The Contractor shall make no other distribution of its proposal to any other Contractor or Commonwealth official or Commonwealth consultant. Each proposal page should be numbered for ease of

reference. An official authorized to bind the Contractor to its provisions must sign the proposal. If the official signs the Proposal Cover Sheet (**Appendix A** to this RFQ) and the Proposal Cover Sheet is attached to the Contractor's proposal, the requirement will be met. For this RFQ, the proposal must remain valid for one hundred and twenty (120) days or until a purchase order is executed. If the Issuing Office selects the Contractor's proposal as the best value, the contents of the selected Contractor's proposal will become, except to the extent the contents are changed through Best and Final Offers or negotiations, contractual obligations.

Each Contractor submitting a proposal specifically waives any right to withdraw or modify it, except that the Contractor may withdraw its proposal by written notice received at the Issuing Office's address for proposal delivery prior to the exact hour and date specified for proposal receipt. A Contractor or its authorized representative may withdraw its proposal in person prior to the exact hour and date set for proposal receipt, provided the withdrawing person provides appropriate identification and signs a receipt for the proposal. A Contractor may modify its submitted proposal prior to the exact hour and date set for proposal receipt only by submitting a new sealed proposal or sealed modification which complies with the RFQ requirements.

I-14. Alternate Proposals.

The Issuing Office has identified the basic approach to meeting its requirements, allowing Contractors to be creative and propose their best solution to meeting these requirements. The Issuing Office will not accept alternate proposals.

I-15. Proposal Contents

- a. Confidential Information. The Commonwealth is not requesting, and does not require, confidential proprietary information or trade secrets to be included as part of Contractors' submissions in order to evaluate proposals submitted in response to this RFQ. Accordingly, except as provided herein, Contractors should not label proposal submissions as confidential or proprietary or trade secret protected. Any Contractor who determines that it must divulge such information as part of its proposal must submit the signed written statement described in subsection c. below and must additionally provide a redacted version of its proposal, which removes only the confidential proprietary information and trade secrets, for required public disclosure purposes.
- b. Commonwealth Use. All material submitted with the proposal shall be considered the property of the Commonwealth of Pennsylvania and may be returned only at the Issuing Office's option. The Commonwealth has the right to use any or all ideas not protected by intellectual property rights that are presented in any proposal regardless of whether the proposal becomes part of a contract. Notwithstanding any Contractor copyright designations contained on proposals, the Commonwealth shall have the right to make copies and distribute proposals internally and to comply with public record or other disclosure requirements under the provisions of any

Commonwealth or United States statute or regulation, or rule or order of any court of competent jurisdiction.

- c. **Public Disclosure.** After the issuance of a purchase order pursuant to this RFQ, all proposal submissions are subject to disclosure in response to a request for public records made under the Pennsylvania Right-to-Know-Law, 65 P.S. § 67.101, et seq. If a proposal submission contains confidential proprietary information or trade secrets, a signed written statement to this effect must be provided with the submission in accordance with 65 P.S. § 67.707(b) for the information to be considered exempt under 65 P.S. § 67.708(b)(11) from public records requests (*See Appendix G, Trade Secret/Confidential Proprietary Information Notice*). Financial capability information submitted in response to Part II, Section II-8 of this RFQ is exempt from public records disclosure under 65 P.S. § 67.708(b)(26).

I-16. Contractor's Representations and Authorizations

By submitting its proposal, each Contractor understands, represents, and acknowledges that:

- a. All of the Contractor's information and representations in the proposal are material and important, and the Issuing Office may rely upon the contents of the proposal in making a best value selection. The Commonwealth shall treat any misstatement, omission or misrepresentation as fraudulent concealment of the true facts relating to the proposal submission, punishable pursuant to 18 Pa. C.S. § 4904.
- b. The Contractor has arrived at the price(s) and amounts in its proposal independently and without consultation, communication, or agreement with any other Contractor or potential Contractor.
- c. The Contractor has not disclosed the price(s), the amount of the proposal, nor the approximate price(s) or amount(s) of its proposal to any other firm or person who is a Contractor or potential Contractor for this RFQ, and the Contractor shall not disclose any of these items on or before the proposal submission deadline specified in the Calendar of Events of this RFQ.
- d. The Contractor has not attempted, nor will it attempt, to induce any firm or person to refrain from submitting a proposal on this contract, or to submit a proposal higher than this proposal, or to submit any intentionally high or noncompetitive proposal or other form of complementary proposal.
- e. The Contractor makes its proposal in good faith and not pursuant to any agreement or discussion with, or inducement from, any firm or person to submit a complementary or other noncompetitive proposal.
- f. To the best knowledge of the person signing the proposal for the Contractor, the Contractor, its affiliates, subsidiaries, officers, directors, and employees are not currently under investigation by any governmental agency and have not in the last

four years been convicted or found liable for any act prohibited by State or Federal law in any jurisdiction, involving conspiracy or collusion with respect to bidding or proposing on any public contract, except as the Contractor has disclosed in its proposal.

- g. To the best of the knowledge of the person signing the proposal for the Contractor and except as the Contractor has otherwise disclosed in its proposal, the Contractor has no outstanding, delinquent obligations to the Commonwealth including, but not limited to, any state tax liability not being contested on appeal or other obligation of the Contractor that is owed to the Commonwealth.
- h. The Contractor is not currently under suspension or debarment by the Commonwealth, any other state or the federal government, and if the Contractor cannot so certify, then it shall submit along with its proposal a written explanation of why it cannot make such certification.
- i. The Contractor has not made, under separate contract with the Issuing Office, any recommendations to the Issuing Office concerning the need for the services described in its proposal or the specifications for the services described in the proposal.
- j. Each Contractor, by submitting its proposal, authorizes Commonwealth agencies to release to the Commonwealth information concerning the Contractor's Pennsylvania taxes, unemployment compensation and workers' compensation liabilities.
- k. Until the selected Contractor receives a fully executed purchase order from the Issuing Office, there is no legal and valid contract, in law or in equity, and the Contractor shall not begin to perform work, for the Project.

I-17. Restriction Of Contact

From the issue date of this RFQ until the Issuing Office selects a proposal as the best value, the Issuing Officer is the sole point of contact concerning this RFQ. Any violation of this condition may be cause for the Issuing Office to reject the offending Contractor's proposal. If the Issuing Office later discovers that the Contractor has engaged in any violations of this condition, the Issuing Office may reject the offending Contractor's proposal or rescind its purchase order. Contractors must agree not to distribute any part of their proposals beyond the Issuing Office. A Contractor who shares information contained in its proposal with other Commonwealth personnel and/or competing Contractor personnel may be disqualified.

I-18. Prime Contractor Responsibilities

The selected Contractor will be required to assume responsibility for all services offered in the proposal whether it produces them itself or by subcontract. The Issuing Office and Project Manager will consider the selected Contractor to be the sole point of contact with regard to contractual and purchase order matters.

I-19. Resources

Contractors shall provide all services, supplies, facilities, and other support necessary to complete the identified work.

I-20. Rejection Of Proposals

The Issuing Office reserves the right, in its sole and complete discretion, to reject any proposal received in response to this RFQ, or to negotiate separately with competing Contractors.

I-21. Discussions for Clarification

Contractors may be required to make an oral or written clarification of their proposals to the Issuing Office to ensure thorough mutual understanding and contractor responsiveness to the RFQ requirements. The Issuing Office will initiate requests for clarification.

I-22. Best and Final Offer (BAFO)

- a. While not required, the Issuing Office reserves the right to conduct discussions with Contractors for the purpose of obtaining “Best and Final Offers.” To obtain Best and Final Offers from Contractors, the Issuing Office may do one or more of the following, in combination and in any order:
 1. Schedule oral presentations;
 2. Request revised proposals;
 3. Conduct a reverse online auction; and
 4. Enter into pre-selection negotiations.
- b. The following Contractors will **not** be invited by the Issuing Office to submit a Best and Final Offer:
 1. Those Contractors which the Issuing Office has determined to be not responsible or whose proposals the Issuing Office has determined to be not responsive.
 2. Those Contractors, which the Issuing Office has determined in accordance with **Part III, Section III-4**, from the submitted and gathered financial and other information, do not possess the financial capability, experience or qualifications to assure good faith performance of the Project.
 3. Those Contractors whose score for their technical submittal of the proposal is less than 70% of the total amount of technical points allotted to the technical criterion.

The Issuing Office may further limit participation in the Best and Final Offers process to those remaining responsible Contractors which the Issuing Office has, within its discretion, determined to be within the top competitive range of responsive proposals.

- c. Evaluation Criteria found in **Part III, Section III-3**, shall also be used to evaluate the Best and Final Offers.
- d. Price reductions offered through any reverse online auction shall have no effect upon the Contractor's Technical Submittal. Dollar commitments to Small Diverse Businesses can be reduced only in the same percentage as the percent reduction in the total price offered through any reverse online auction or negotiations.

I-23. Notification of Selection

The Issuing Office will notify the selected Contractor in writing of its selection as the best value contractor after the Issuing Office has determined, taking into consideration all of the evaluation factors, the proposal that is the most advantageous to the Issuing Office.

I-24. Purchase Order

The successful Contractor will be issued a purchase order with reference to Consulting Services ITQ Contract 4400007410. The term of the purchase order will commence on the Effective Date and will end in three (3) years with two (2) optional one (1) year renewals. No work may begin or be reimbursed prior to the date of issuance of the purchase order. The selected Contractor will be paid after submitting invoices, provided it is in accordance with the work plan and approved by the Commonwealth Project Manager. Final payment will not be made until all Project work has been successfully completed.

I-25. Debriefing Conferences

Contractors whose proposals are not selected will be notified of the name of the selected contractor and given the opportunity to be debriefed. The Issuing Office will schedule the time and location of the debriefing. The debriefing will not compare the contractor with other contractors, other than the position of the Contractor's proposal in relation to all other contractor proposals.

I-26. News Releases

Contractors shall not issue news releases, internet postings, advertisements or any other public communications pertaining to this Project without prior written approval of the Issuing Office, and then only in coordination with the Issuing Office.

I-27. Terms and Conditions

The requirements and terms and conditions of Consulting Services ITQ #4400007410 shall govern all work conducted as a result of this RFQ.

PART II

PROPOSAL REQUIREMENTS

II-1. General Requirements

Contractors must submit their proposals in the format, including heading descriptions, outlined below. To be considered, the proposal must respond to all requirements in this part of the RFQ. Contractors should provide any other information thought to be relevant, but not applicable to the enumerated categories, as an appendix to the Proposal. All cost data relating to this proposal and all Small Diverse Business cost data should be kept separate from and not included in the Technical Submittal. Each Proposal shall consist of the following **three** separately sealed submittals:

- a. Technical Submittal, which shall be a response to RFQ **Part II, Sections II-1 through II-8**;
- b. Small Diverse Business Submittal, in response to RFQ **Part II, Section II-10**; and
- c. Cost Submittal, in response to RFQ **Part II, Section II-10**.

The Issuing Office reserves the right to request additional information which, in the Issuing Office's opinion, is necessary to assure that the Contractor's competence, number of qualified employees, business organization, and financial resources are adequate to perform according to the RFQ.

The Issuing Office may make investigations as deemed necessary to determine the ability of the Contractor to perform the Project, and the Contractor shall furnish to the Issuing Office all requested information and data. The Issuing Office reserves the right to reject any proposal if the evidence submitted by, or investigation of, such Contractor fails to satisfy the Issuing Office that such Contractor is properly qualified to carry out the obligations of the RFQ and to complete the Project as specified.

II-2. Statement of the Problem

State in succinct terms your understanding of the problem presented or the service required by this RFQ.

II-3. Management Summary

Include a narrative description of the proposed effort and a list of the items to be delivered or services to be provided.

II-4. Work Plan

Describe in narrative form your technical plan for accomplishing the work. Use the task descriptions in **Part IV** of this RFQ as your reference point. Modifications of the task descriptions are permitted; however, reasons for changes should be fully explained. Indicate the number of person hours allocated to each task. Include a Program Evaluation

and Review Technique (PERT) or similar type display, time related, showing each event. If more than one approach is apparent, comment on why you chose this approach.

II-5. Prior Experience

Prior experience in investment consulting services must be demonstrated in the Experience, Personnel and Staffing Questionnaire included with this RFP as Appendix D. Experience shown should be work done by individuals who will be assigned to this project as well as that of your company. Studies or projects referred to must be identified and the name of the customer shown, including the name, address, and telephone number of the responsible official of the customer, company, or agency who may be contacted.

II-6. Personnel

Include the number of executive and professional personnel, analysts, auditors, researchers, programmers, consultants, etc., who will be engaged in the work. Show where these personnel will be physically located during the time they are engaged in the Project. For key personnel (such as the Project Manager or any other primary contacts), include with the completed Questionnaire in Appendix D, the employee's name and, through a resume or similar document, the Project personnel's education and experience in investment consulting services. Indicate the responsibilities each individual will have in this Project and how long each has been with your company. Identify by name any subcontractors you intend to use and the services they will perform.

Resumes are not to include personal information that will, or will be likely to, require redaction prior to release of the proposal under the Right to Know Law. This includes home addresses and phone numbers, Social Security Numbers, Drivers' License numbers or numbers from state ID cards issued in lieu of a Drivers' License, financial account numbers, etc. If the Commonwealth requires any of this information for security verification or other purposes, the information will be requested separately and as necessary.

II-7. Training

If appropriate, indicate recommended training of agency personnel. Include the agency personnel to be trained, the number to be trained, duration of the program, place of training, curricula, training materials to be used, number and frequency of sessions, and number and level of instructors.

II-8. Financial Capability

Describe your company's financial stability and economic capability to perform the Project requirements. Provide your company's financial statements (audited, if available) for the past three fiscal years. Financial statements must include the company's Balance Sheet and Income Statement or Profit/Loss Statements. Also include a Dun & Bradstreet comprehensive report, if available. If your company is a publicly traded company, please provide a link to your financial records on your company website in lieu of providing hardcopies. The Commonwealth reserves the right to request additional information it deems necessary to evaluate a Contractor's financial capability.

II-9. Emergency Preparedness.

To support continuity of operations during an emergency, including a pandemic, the Commonwealth needs a strategy for maintaining operations for an extended period of time. One part of this strategy is to ensure that essential contracts that provide critical business services to the Commonwealth have planned for such an emergency and put contingencies in place to provide needed goods and services.

- a. Describe how you anticipate such a crisis will impact your operations.
- b. Describe your emergency response continuity of operations plan. Please attach a copy of your plan, or at a minimum, summarize how your plan addresses the following aspects of pandemic preparedness:
 - i) Employee training (describe your organization's training plan, and how frequently your plan will be shared with employees)
 - ii) Identified essential business functions and key employees (within your organization) necessary to carry them out
 - iii) Contingency plans for:
 - How your organization will handle staffing issues when a portion of key employees are incapacitated due to illness.
 - How employees in your organization will carry out the essential functions if contagion control measures prevent them from coming to the primary workplace.
 - iv) How your organization will communicate with staff and suppliers when primary communications systems are overloaded or otherwise fail, including key contacts, chain of communications (including suppliers), etc.
 - v) How and when your emergency plan will be tested, and if the plan will be tested by a third-party.

II-10. Small Diverse Business Submittal

- A. To receive credit for being a Small Diverse Business or for subcontracting with a Small Diverse Business (including purchasing supplies and/or services through a purchase agreement), a Contractor must include proof of Small Diverse Business qualification in the Small Diverse Business Submittal of the proposal, as indicated below:

A Small Diverse Business verified by BSBO as a Small Diverse Business must provide a photocopy of their verification letter.

- B. In addition to the above verification letter, the Contractor must include in the Small Diverse Business participation Submittal of the proposal the following information:

- 1) All Contractors, must include a numerical percentage which represents the total percentage of the work (as a percentage of

the total cost in the Cost Submittal) to be performed by the Contractor and not by subcontractors and suppliers.

- 2) **All** Contractors must include a numerical percentage which represents the total percentage of the total cost in the Cost Submittal that the Contractor commits to paying to Small Diverse Businesses as subcontractors. To support its total percentage SDB subcontractor commitment, Contractor must also include:
- a) The percentage and the dollar amount of each subcontract commitment to a Small Diverse Business.
 - b) The name of each Small Diverse Business. The Contractor will not receive credit for stating that after the purchase order is issued it will find a Small Diverse Business.
 - c) The services or supplies each Small Diverse Business will provide, including the timeframe for providing the services or supplies.
 - d) The location where each Small Diverse Business will perform services.
 - e) The timeframe for each Small Diverse Business to provide or deliver the goods or services.
 - f) A subcontract or letter of intent signed by the Contractor and the Small Diverse Business (SDB) for each SDB identified in the SDB Submittal. The subcontract or letter of intent must identify the specific work, goods or services the SDB will perform, how the work, goods or services relates to the project, and the specific timeframe during the term of the contract and any option/renewal periods when the work, goods or services will be performed or provided. In addition, the subcontract or letter of intent must identify the fixed percentage commitment and associated estimated dollar value that each SDB will receive based on the total value of the initial term of the contract as provided in the Contractor's Cost Submittal. Attached is a letter of intent template which may be used to satisfy these requirements.

- g) The name, address and telephone number of the primary contact person for each Small Diverse Business.
 - 3) The total percentages and each subcontractor commitment will become contractual obligations once the Purchase Order is issued.
 - 4) The name and telephone number of the Contractor's project (contact) person for the Small Diverse Business information.
- C. The Contractor is required to submit two (2) copies of its Small Business participation Business Submittal. The submittal shall be clearly identified as Small Diverse Business information and sealed in its own envelope, separate from the remainder of the proposal. This submittal must include the Small Diverse Letter of Intent in the format substantially similar to that provided in Appendix E.
- D. A Small Diverse Business can be included as a subcontractor with as many prime contractors as it chooses in separate proposals.
- E. A Contractor that qualifies as a Small Diverse Business and submits a proposal as a prime contractor is not prohibited from being included as a subcontractor in separate proposals submitted by other Contractors.

II-11. Cost Submittal

The information requested in this Section II-11 and **Appendix C** shall constitute the Cost Submittal. The Cost Submittal shall be placed in a separate sealed envelope within the sealed proposal and kept separate from the technical submittal. The total cost you are proposing must be broken down into the components listed on **Appendix C**.

Contractors should **not** include any assumptions in their cost submittals. If the Contractor includes assumptions in its cost submittal, the Issuing Office may reject the proposal. Contractors should direct in writing to the Issuing Office pursuant to **Part I, Section I-6** of this RFQ, any questions about whether a cost or other component is included or applies. All Contractors will then have the benefit of the Issuing Office's written answer so that all proposals are submitted on the same basis.

II-12. Domestic Workforce Utilization

Contractors must complete and sign the Domestic Workforce Utilization Certification attached to and made a part of this RFQ as **Appendix B**. Contractors who seek consideration for the Domestic Workforce Utilization Certification criterion must complete, sign and submit the Domestic Workforce Utilization Certification Form in the same sealed envelope with the Technical Submittal.

II-13. Lobby Certification Form and Disclosure of Lobbying Activity Form

A Lobby Certification Form and Disclosure of Lobbying Activity Form are provided as Appendices F and F-1, respectively. These forms must be completed, signed and submitted in the same sealed envelope with the Technical Submittal.

PART III

CRITERIA FOR SELECTION

III-1. Mandatory Responsiveness Requirements. To be eligible for selection, a proposal must be:

- A. Timely received from a Contractor;
- B. Properly signed by the Contractor.

III-2. Technical Nonconforming Proposals. The two (2) Mandatory Responsiveness Requirements set forth in **Section III-1** above (A-B) are the only RFQ requirements that the Commonwealth will consider to be *non-waivable*. The Issuing Office reserves the right, in its sole discretion, to (1) waive any other technical or immaterial nonconformities in an Contractor's proposal, (2) allow the Contractor to cure the nonconformity, or (3) consider the nonconformity in the scoring of the Contractor's proposal.

III-3. Evaluation. The Issuing Office has selected a committee of qualified personnel to review and evaluate timely submitted proposals. Independent of the committee, BSBO will evaluate the Small Diverse Business participation submittal and provide the Issuing Office with a rating for this component of each proposal. The Issuing Office will notify in writing the responsible Contractor whose proposal is determined to offer the best value to the Commonwealth as determined by the Issuing Office after taking into consideration all of the evaluation factors.

III-4. Evaluation Criteria. The following criteria will be used in evaluating each proposal:

- A. **Technical:** The Issuing Office has established the weight for the Technical criterion for this RFQ as **50%** of the total points. Evaluation will be based upon the following in order of importance:
 - Personnel Qualifications
 - Soundness of Approach
 - Contractor Qualifications
 - Understanding of the Services
 - Financial Condition

The final Technical scores are determined by giving the maximum number of technical points available to the proposal with the highest raw technical score. The remaining proposals are rated by applying the Technical Scoring Formula set forth at the following webpage:

http://www.portal.state.pa.us/portal/server.pt/community/RFQ_scoring_formulas_overview/20124.

B. Cost: The Issuing Office has established the weight for the Cost criterion for this RFQ as **30%** of the total points. The cost criterion is rated by giving the proposal with the lowest total cost the maximum number of Cost points available. The remaining proposals are rated by applying the Cost Formula set forth at the following webpage: http://www.portal.state.pa.us/portal/server.pt/community/RFQ_scoring_formulas_overview/20124

C. Small Diverse Business Participation:

BSBO has established the weight for the Small Diverse Business (SDB) participation criterion for this RFQ as 20 % of the total points. Each SDB participation submittal will be rated for its approach to enhancing the utilization of SDBs in accordance with the below-listed priority ranking and subject to the following requirements:

1. A business submitting a proposal as a prime contractor must perform 60% of the total contract value to receive points for this criterion under any priority ranking.
2. To receive credit for an SDB subcontracting commitment, the SDB subcontractor must perform at least fifty percent (50%) of the work subcontracted to it.
3. A significant subcontracting commitment is a minimum of five percent (5%) of the total Purchase Order value.
4. A subcontracting commitment less than five percent (5%) of the total Purchase Order value is considered nominal and will receive reduced or no additional SDB points depending on the priority ranking.

Priority Rank 1: Proposals submitted by SDBs as prime Contractors will receive 150 points. In addition, SDB prime Contractors that have significant subcontracting commitments to additional SDBs may receive up to an additional 50 points (200 points total available).

Subcontracting commitments to additional SDBs are evaluated based on the proposal offering the highest total percentage SDB subcontracting commitment. All other Contractors will be scored in proportion to the highest total percentage SDB subcontracting commitment within this ranking. *See formula below.*

Priority Rank 2: Proposals submitted by SDBs as prime contractors, with no or nominal subcontracting commitments to additional SDBs, will receive 150 points.

Priority Rank 3: Proposals submitted by non-small diverse businesses as prime contractors, with significant subcontracting commitments to SDBs, will receive up to 100 points. Proposals submitted with nominal subcontracting commitments to SDBs will receive points equal to the percentage level of their total SDB subcontracting commitment.

SDB subcontracting commitments are evaluated based on the proposal offering the highest total percentage SDB subcontracting commitment. All other Contractors will be scored in proportion to the highest total percentage SDB subcontracting commitment within this ranking. *See formula below.*

Priority Rank 4: Proposals by non-small diverse businesses as prime contractors with no SDB subcontracting commitments shall receive no points under this criterion.

To the extent that there are multiple SDB Participation submittals in Priority Rank 1 and/or Priority Rank 3 that offer significant subcontracting commitments to SDBs, the proposal offering the highest total percentage SDB subcontracting commitment shall receive the highest score (or additional points) available in that Priority Rank category and the other proposal(s) in that category shall be scored in proportion to the highest total percentage SDB subcontracting commitment. Proportional scoring is determined by applying the following formula:

$$\frac{\text{SDB \% Being Scored}}{\text{Highest \% SDB Commitment}} \times \frac{\text{Points/Additional}}{\text{Points Available*}} = \frac{\text{Awarded/Additional}}{\text{SDB Points}}$$

Priority Rank 1 = 50 Additional Points Available
Priority Rank 3 = 100 Total Points Available

Please refer to the following webpage for an illustrative chart which shows SDB scoring based on a hypothetical situation in which the Commonwealth receives proposals for each Priority Rank:

http://www.portal.state.pa.us/portal/server.pt/community/RFQ_scoring_formulas_overview/20124

D. Domestic Workforce Utilization:

Any points received for the Domestic Workforce Utilization criterion are bonus points in addition to the total points for this RFQ. The maximum amount of bonus points available for this criterion is 3% of the total points for this RFQ.

To the extent permitted by the laws and treaties of the United States, each proposal will be scored for its commitment to use domestic workforce in the fulfillment of the project. Maximum consideration will be given to those Contractors who will perform the contracted direct labor exclusively within the geographical boundaries of the United States or within the geographical boundaries of a country that is a party to the World Trade Organization Government Procurement Agreement. Those who propose to

perform a portion of the direct labor outside of the United States and not within the geographical boundaries of a party to the World Trade Organization Government Procurement Agreement will receive a correspondingly smaller score for this criterion. See the following webpage for the Domestic Workforce Utilization Formula:

http://www.portal.state.pa.us/portal/server.pt/community/rfp_scoring_formulas_overview/20124. Contractors who seek consideration for this criterion must submit in hardcopy the signed Domestic Workforce Utilization Certification Form in the same sealed envelope with the Technical Submittal. The certification will be included as a contractual obligation when the Purchase Order is executed.

III-5. Contractor Responsibility. To be responsible, a Contractor must submit a responsive proposal and possess the capability to fully perform the project requirements in all respects and the integrity and reliability to assure good faith performance of the project.

In order for an Contractor to be considered responsible for this RFQ and therefore eligible for selection for best and final offers or selection for contract negotiations:

- A. The total score for the technical submittal of the Contractor's proposal must be greater than or equal to **70%** of the **available technical points**; and
- B. The Contractor's financial information must demonstrate that the Contractor possesses the financial capability to assure good faith performance of the project. The Issuing Office will review the Contractor's previous three financial statements, any additional information received from the Contractor, and any other publicly-available financial information concerning the Contractor, and assess each Contractor's financial capacity based on calculating and analyzing various financial ratios, and comparison with industry standards and trends.

A Contractor which fails to demonstrate sufficient financial capability to assure good faith performance of the project as specified herein may be considered by the Issuing Office, in its sole discretion, for Best and Final Offers or project negotiation contingent upon such Contractor providing project performance security for the first project year cost proposed by the Contractor in a form acceptable to the Issuing Office. Based on the financial condition of the Contractor, the Issuing Office may require a certified or bank (cashier's) check, letter of credit, or a performance bond conditioned upon the faithful performance of the project by the Contractor. The required performance security must be issued or executed by a bank or surety company authorized to do business in the Commonwealth. The cost of the required performance security will be the sole responsibility of the Contractor and cannot increase the Contractor's cost proposal or the project cost to the Commonwealth.

Further, the Issuing Office will award a project only to a Contractor determined to be responsible in accordance with the most current version of Commonwealth Management Directive 215.9, Contractor Responsibility Program.

III-6. Final Ranking and Award.

- A. After any best and final offer process conducted, the Issuing Office will combine the evaluation committee's final technical scores, BSBO's final small diverse business participation scores, the final cost scores, and (when applicable) the domestic workforce utilization scores, in accordance with the relative weights assigned to these areas as set forth in this Part.
- B. The Issuing Office will rank responsible Contractors according to the total overall score assigned to each, in descending order.
- C. The Issuing Office must select as the Best Value Contractor the Contractor with the highest overall score; PROVIDED, HOWEVER, THAT A PURCHASE ORDER WILL NOT BE ISSUED TO A CONTRACTOR WHOSE PROPOSAL RECEIVED THE LOWEST TECHNICAL SCORE AND HAD THE LOWEST COST SCORE OF THE RESPONSIVE PROPOSALS RECEIVED FROM RESPONSIBLE CONTRACTORS. IN THE EVENT SUCH A PROPOSAL ACHIEVES THE HIGHEST OVERALL SCORE, IT SHALL BE ELIMINATED FROM CONSIDERATION AND A PURCHASE ORDER MAY BE ISSUED TO THE CONTRACTOR WITH THE NEXT HIGHEST OVERALL SCORE.
- D. The Issuing Office has the discretion to reject all proposals or cancel the request for quotes, at any time prior to the time a purchase order is issued, when it is in the best interests of the Commonwealth. The reasons for the rejection or cancellation shall be made part of the contract file.

PART IV

WORK STATEMENT

IV-1. Objectives.

- a. **General.** The Insurance Department’s Bureau of Special Funds manages three separate funds, two of which are the Underground Storage Tank Indemnification Fund (“USTIF”) and the Workers’ Compensation Security Fund (“WCSF”) (collectively the “Special Funds”). An investment committee, comprised of individuals from the PA Insurance Department and the PA Treasury, is the governing board established to administer the investment assets of USTIF and WCSF (the “Investment Committee”). The objective of this RFQ is to secure investment consultant services to be provided to the Investment Committee.

- b. **Background.**

USTIF

USTIF was created in 1989 and began operation in February 1994 to help underground storage tank owners and operators comply with the financial responsibility requirement as established by the Federal Environmental Protection Agency, in the event the tank owners and operators experience a release from an eligible underground storage tank (UST).

The USTIF is funded by the payment of capacity and throughput fees on regulated substances by tank owners and operators. The law requires that the fees be set on an actuarial basis and are reviewed annually. Currently, the fees are set at \$0.011 per gallon for throughput (generally gasoline) and \$0.0825 per gallon for capacity (generally diesel).

For the twelve months ending June 30, 2014, total receipts were \$82.5 million including \$15.7 million net increase in fair value of investments; total disbursements were \$53.4 million. Total assets as of June 30, 2014 were \$275.0 million, of which about \$190 million are non-receivables and available for investment. As of that time, USTIF had 6 investment managers (2 equity and 4 fixed income) and utilized two passive index funds.

Investment Guidelines for USTIF are provided as Appendix K.

WCSF

The WCSF was created July 1, 1937 to provide for the payment of valid claims for workers’ compensation to individuals whose employers were insured by a liquidated insurance company. As a guaranty fund, the WCSF stands in place of a liquidated insurance company to pay Pennsylvania workers’ compensation benefits to eligible claimants. The passage of Senate Bill 1143 on April 13, 1988, extended the Act to cover certain insurers under the Longshore and Harbor

Workers' Compensation Act. The WCSF has grown from 6 claimants in 1984 to over 4,400 claimants in 2002, to 2,118 open claims as of June 30, 2007 and about 1,350 open claims as of October 2014.

The WCSF revenue is derived from three sources: 1) an assessment to insurance companies on their workers' compensation premiums, 2) distributions received from the estates of liquidated insurance companies, and 3) investment income.

Should the WCSF fund balance fall below \$500 million as of December 31st of any year, a regulatory requirement for an actuarial study is triggered, in which case the study is performed to develop assessment criteria.

Per the financial statements internally generated by the Comptroller's Office as of June 30, 2014, total assets were \$793.3 million, of which about \$779 million was available for investment. At that time, the WCSF had 11 investment managers (2 equity, 8 fixed income, and 1 other) plus five passive index funds. Annual receipts and revenues for the WCSF are not predictable and can vary from year to year (\$119 million for the twelve months ending June 30, 2014 compared to \$70 million for the twelve months ending June 30, 2013). Expenditures have been more predictable, ranging from \$25 to \$35 million annually.

Investment Guidelines for the WCSF are provided as Appendix J.

IV-2. Nature and Scope of the Project.

The selected Contractor will analyze and evaluate the Special Funds' current investment portfolio initially and on a continuing basis, evaluate and recommend investment managers to the Investment Committee as needed, develop and monitor investment strategies in conjunction with the Investment Committee, manage the investment managers, including dismissal when appropriate and prepare monthly and quarterly reports for the Investment Committee. These reports should include but not be limited to performance reporting, both absolute and comparative, asset allocation, compliance reporting and material changes in the organization or operation of an investment manager which could affect performance, as well as any other information requested by the Special Funds.

IV-3. Requirements.

The selected Contractor will provide the Investment Committee with investment advisory services specifically regarding investment policy, asset allocation, recommendations for investment managers, investment manager monitoring and performance, and strategic investment planning.

- A. The selected Contractor must operate in accordance with applicable State and Federal laws dealing with the Special Funds' financial responsibilities, conflicts of interest, ethics issues and other functions deemed appropriate.

- B. The selected Contractor will covenant that it will have no interest and shall not acquire any interest, direct or indirect, which would conflict in any material manner or degree with the performance of its services.

IV-4. Tasks.

The selected Contractor will recommend, monitor and manage the investment managers, analyze the Special Funds' investment portfolio and recommend strategies to meet the Special Funds' investment yield expectations, and provide reports on the results to the Investment Committee by required due dates. The selected contractor will: (all functions in Sections IV-5 are to be done in conjunction with and with the approval of the Investment Committee).

A. Develop / maintain an investment plan including policies and objectives.

1. Develop / maintain an investment strategy for the Special Funds' assets within the investment restrictions of the Banking Code and the Fiscal Code.
2. Review the liabilities of USTIF and WCSF as provided by its actuaries and complete an asset/liability study. The study should fully integrate asset and liability projections.
3. Review and make recommendations regarding desirable investment objectives, policies and asset allocation.
4. Recommend performance benchmarks for the Special Funds, asset classes and individual portfolios. Recommend individual portfolio investment guidelines. The plans, including the cash flow analyses, policies and objectives, must be in accordance with any applicable State and Federal laws.

B. Evaluate investment manager performance

1. Develop / maintain performance benchmarks for each investment manager. Performance measurement must be described in detail. Other performance measures will be determined in consultation with the selected Contractor as needed. A summary of the current investment managers and the allocation of USTIF and WCSF moneys for which they are responsible is provided as Appendix L.
2. The Investment Committee currently utilizes various indices to evaluate its investment managers. The Investment Committee currently utilizes Standard & Poors 500, Russell 1000, Russell 1000 Growth, Russell 1000 Value, Russell Mid Cap Value, Russell 2500 Growth, MSCI EAFE, Barclay Int Government/Credit, Barclay Long Government, Barclay Mortgage, Barclay U.S. Aggregate, Barclay US Tips, ML High Yield Bond, ML Investment Grade Convertibles ex Mandatory VOA1, 91-Day Treasury Bill, ML High Yield Bond and specialty liability indices. The selected Contractor shall recommend which indices should be used to determine each investment manager's performance.

3. Review investment manager compliance with statutory and investment policy requirements and investment objectives and guidelines.
4. Based on performance, recommend as necessary the replacement of investment managers.
5. Prepare monthly and quarterly written reports which shall include, but not be limited to, the calculated total return for each asset class and comparison of the Special Funds' calculated investment data with investment manager assigned benchmarks. The reports must also include historical return analysis and risk/return analysis. Monthly reports must be prepared and provided within three (3) weeks from the end of the month.
6. Prepare a quarterly report containing an analysis of the relationship of insurance financial (liquidity, reserves, surplus) data and investment strategies. Present and discuss the quarterly report at the quarterly meeting of the Investment Committee.
7. Monitor all investments and cash flows to insure that all assets are managed and accounted for properly.
8. Ensure that investment managers are properly utilizing the Treasury's commission recapture program. Treasury currently has a program that allows the Special Funds to recapture a portion of the commission that is earned on trades. This program is currently part of a contract Treasury maintains with SEI Brokerage Services (SEI Investments Distribution Co.).
9. Meet with investment managers to discuss performance issues when appropriate.

C. Evaluate prospective investment managers

1. Facilitate the selection and hiring of new investment managers.
2. Review and approve new managers, recommend specific strategies and styles to assist the Special Funds in achieving their investment performance goals. An explanation of criteria used to evaluate prospective investment managers must be provided.

D. Other Tasks

1. Meet with the Investment Committee during regularly scheduled quarterly meeting in Harrisburg, PA.
2. Meet with the Investment Committee on an ad hoc basis in Harrisburg, PA as needed, but not expected to be more often than 3 times per year.

3. Provide research reports as requested by the Special Funds addressing areas such as asset allocation, investment issues, and describe and evaluate new types of investments and alternative approaches.
4. Provide information on market conditions and explain their impact on the Special Funds' investments.
5. Designate a Project Manager who is responsible and accountable for the selected Contractor's overall operations and for the direct supervision of the Contractor's professional staff involved with investment consulting and performance evaluation.
6. Preserve all financial and accounting records pertaining to this contract period and any renewals thereof for a six (6) year period from the expiration or termination of the contract.
7. All information, files and records provided to the selected Contractor by the Commonwealth and from the selected Contractor to the Commonwealth will be the property of the Commonwealth of Pennsylvania.
8. Assist with proxy voting, as needed.
9. Assist with the liquidation of assets in order to satisfy cash flow requirements.
10. Assist with the collection of periodic income distributions.
11. Upon expiration or termination of the contract, the selected Contractor will take all commercially reasonable steps necessary at no additional charge to assist with the transition to any new contractor.
12. Maintain a fidelity bond to cover the selected Contractor, its officers and employees in the amount of \$5 million.
13. Provide financial information to the Special Funds as requested for the Special Funds to complete management reports and investment surveys.
14. Carry out other assignments that may be specified by the Investment Committee or the Special Funds.

IV-5. Reports and Project Control.

The Bureau of Special Funds will require oral and written reports and other documentation such as plans, proposals, or recommendations that the Bureau of Special Funds must approve before the selected Contractor proceeds further with the work. The detail and frequency of the reports will vary, but specific mandated reports are identified in Section

IV-4 above. See Appendix H, Sample Monthly Report, and Appendix I, Sample Quarterly Report.

IV-6. Contract Requirements—Small Diverse Business Participation

All contracts containing Small Diverse Business participation must also include a provision requiring the selected contractor to meet and maintain those commitments made to Small Diverse Businesses at the time of proposal submittal or contract negotiation, unless a change in the commitment is approved by the BSBO. All contracts containing Small Diverse Business participation must include a provision requiring Small Diverse Business subcontractors to perform at least **50%** of the subcontract.

The selected contractor's commitments to Small Diverse Businesses made at the time of proposal submittal or contract negotiation shall, to the extent so provided in the commitment, be maintained throughout the term of the contract and through any renewal or extension of the contract. Any proposed change must be submitted to BSBO, which will make a recommendation to the Contracting Officer regarding a course of action.

If a contract is assigned to another contractor, the new contractor must maintain the Small Diverse Business participation of the original contract.

The selected contractor shall complete the Prime Contractor's Quarterly Utilization Report (or similar type document containing the same information) and submit it to the contracting officer of the Issuing Office and BSBO within **10** workdays at the end of each quarter the contract is in force. This information will be used to determine the actual dollar amount paid to Small Diverse Business subcontractors and suppliers. Also, this information will serve as a record of fulfillment of the commitment the selected contractor made and for which it received Small Diverse Business participation points. If there was no activity during the quarter then the form must be completed by stating "No activity in this quarter."

NOTE: EQUAL EMPLOYMENT OPPORTUNITY AND CONTRACT COMPLIANCE STATEMENTS REFERRING TO COMPANY EQUAL EMPLOYMENT OPPORTUNITY POLICIES OR PAST CONTRACT COMPLIANCE PRACTICES DO NOT CONSTITUTE PROOF OF SMALL DIVERSE BUSINESSES STATUS OR ENTITLE A CONTRACTOR TO RECEIVE CREDIT FOR SMALL DIVERSE BUSINESSES UTILIZATION.