

REQUEST FOR PROPOSALS

FOR

**PROXY RESEARCH AND VOTING,
CLASS ACTION MONITORING SERVICES
AND OPTIONAL PROXY VOTING
GUIDELINE REVIEW**

RFP Issue Date: Thursday, April 5, 2018

**Questions Due: Friday, April 20, 2018
by 3:00 pm Eastern**

**Proposals Due: Friday, May 11, 2018
by 3:00 pm Eastern**

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<http://www.state.nj.us/treasury/doinvest/>**

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1.0 INFORMATION FOR BIDDERS

1.1 PURPOSE AND INTENT

The State of New Jersey, Department of the Treasury, Division of Investment (“DOI”) is seeking certain investment related services. The purpose of this Request for Proposal (“RFP”) is to obtain the services of experienced research firms (each, a “Bidder”) with the skills, expertise and resources to assist and support the DOI in meeting its corporate governance goals and monitor class action securities litigation.

The intent of this RFP is to award three (3) contracts to a maximum of two (2) responsible Bidders whose bid proposals, conforming to this RFP, are most advantageous to the State, price and other factors considered. The State, however, reserves the right to separately procure individual requirements that are the subject of the contract during the contract term, when deemed by the Director to be in the State’s best interest. One (1) contract shall be awarded for Proxy Research and Voting, and one (1) contract will be awarded for Class Action Monitoring Services. One (1) additional contract may be awarded for the Proxy Voting Guideline Review at the DOI’s option. A Bidder may be awarded more than one (1) contract. Qualified Bidders may propose to provide one or more services within this RFP.

It is anticipated that the term for the contracts for the Proxy Research and Voting and Class Action Monitoring services will each be for three (3) years, with an additional mobilization period not to exceed sixty (60) days upon mutual agreement of the parties. The Division is seeking discounted pricing for a multiple year award. Each Bidder shall include a mobilization plan as part of its proposal. There will be a provision to extend the term for two (2) additional one-year periods beyond the initial term upon mutual agreement of the parties.

The Proxy Voting Guideline Review contract is a firm fixed price project with a timeline to be agreed upon by the DOI and the contractor.

The State of New Jersey Standard Terms and Conditions (Rev. 2/26/2018) (“Standard Terms & Conditions”), as modified in Section 6.15, are incorporated herein by reference, are in addition to the terms and conditions set forth in this RFP, and should be read in conjunction with them. The Standard Terms & Conditions are available online at:

<http://www.state.nj.us/treasury/purchase/forms/9.14.17%20NJ%20Standard%20Terms%20and%20Conditions%20with%20Signature%20Block.pdf>

1.2 BACKGROUND

The DOI and the State Investment Council (“SIC”) were created by P.L. 1950, c. 270. An important objective of the statute was to centralize all functions relating to purchases, sales or exchanges of securities for the State's diverse funds under experienced and professional management.

Today, the SIC consists of sixteen members, eight appointed for staggered five-year terms by the Governor, three appointed for three-year terms by the trustees of three of the State’s pension systems, two appointed for five-year terms by the Governor from candidates nominated by the New Jersey State AFL-CIO, one appointed for a three-year term by the Governor from candidates nominated by the New Jersey Education Association (NJEA), one appointed for a five-year term by the Governor from candidates nominated by the President

of the Senate and Speaker of the Assembly, and one appointed for a three-year term by the Governor from candidates nominated by the State Troopers Fraternal Association. The eight gubernatorial appointments (excluding those nominated by the Senate President and Assembly Speaker, AFL-CIO, NJEA, and State Troopers Fraternal Association) are made with the advice and consent of the Senate. No member of the SIC shall hold any office, position or employment in any political party, nor shall any member benefit directly or indirectly from any transaction made by the DOI. Members of the SIC serve without compensation.

The role of the SIC is to establish the policies it deems necessary or proper, which govern the methods, practices and procedures for investment to be followed by the DOI. New regulations adopted by the SIC from time to time are filed with the Office of Administrative Law and published in the New Jersey Register for public comment prior to adoption.

Implementation of investment policies is vested in the Director of the DOI (the "Director"). The Director is subject to the standards of prudent investment set forth in N.J.S.A. 52:18A-89. As part of the Director's fiduciary role, the Director retains the power and right to select, monitor, and terminate consultants when doing so is in the best interest of the State. In making these decisions, the Director may consider many factors, including whether the consultant is complying with applicable statutes and regulations, and whether the consultant is meeting the investment goals and direction established by the SIC and the Director.

The DOI invests the assets of seven State pension funds (collectively, the "Pension Fund"), which totaled approximately \$76.2 billion as of December 31, 2017. The assets are primarily managed through two common pension trust funds, Common Pension Fund D and Common Pension Fund E (the "Common Pension Funds"). Common Pension Fund D invests primarily in global equity, fixed income, and certain derivative securities. Common Pension Fund E invests primarily in alternative investments, which includes private equity, real estate, real asset, and absolute return strategy funds, and global diversified credit funds. In addition to the Common Pension Funds, DOI is responsible for managing the Supplemental Annuity Collective Trust (SACT), a portion of NJBEST (the State's 529 plan) and a portion of the Deferred Compensation Plan (DCP), all of which invest in equities. Permissible securities are governed by the SIC Regulations (N.J.A.C. 17:16).

During the 2017 proxy season, DOI voted proxies for 1,064 US meetings, and 3,216 non-US meetings. The meetings cover holdings in several portfolios. Certain share-blocking markets are included in DOI's non-US voting.

1.3 MINIMUM QUALIFICATIONS; SCREENING CRITERIA

1.3.1 A firm must meet all of the following minimum criteria to be given further consideration for the portion of the RFP on which it is bidding. Failure of a firm to meet all of the applicable minimum criteria set forth below will result in the proposal's immediate rejection.

- (a) The firm has provided services similar to those on which it is bidding for a minimum of three (3) years, to public pension fund clients with assets of at least \$5 billion. If the firm has not been in business for at least three (3) years, the senior principals of the firm must have at least five (5) years' experience with institutional clients directly related to the services on which the firm is bidding.

- (b) The firm must allow the DOI to make the DOI's reports, which will be generated from the provided information, public.
- (c) The firm must attest that its firm and key professionals do not have or anticipate a potential or perceived conflict of interest with publicly traded corporations.

1.4 **KEY EVENTS**

1.4.1 **ELECTRONIC QUESTION AND ANSWER PERIOD**

DOI will electronically accept questions and inquiries from all potential Bidders via email at gina.costello@treas.nj.gov.

- The RFP should be clearly referenced in the subject line;
- Questions should be directly tied to the RFP and asked in consecutive order, from beginning to end, following the organization of the RFP ;
- Each question should begin by referencing the RFP page number and section number to which it relates; and
- Questions regarding the Standard Terms & Conditions and exceptions to mandatory requirements should contain requested changes.

Bidders must not contact DOI staff directly, in person, by telephone or by e-mail, other than through the email above, concerning this RFP.

The cut-off date for electronic questions and inquiries relating to this RFP is indicated on the cover sheet. Addenda to this RFP, if any, will be posted on the DOI website, <http://www.state.nj.us/treasury/doinvest/rfp.shtml>, after the cut-off date. (See RFP Section 1.5 for further information)

1.4.2 **DEADLINE AND LOCATION FOR SUBMISSION OF PROPOSAL**

In order to be considered for award, the proposal must be received by DOI on or before the due date and time as indicated on the cover sheet.

ANY PROPOSAL NOT RECEIVED BY THE DATE AND TIME INDICATED ON THE COVER SHEET WILL BE REJECTED.

If a Bidder requests, prior to the deadline, that the Director postpone the deadline due to a documentable cause of delay that is beyond the control of the Bidder, or if the Director otherwise determines that postponement is in the State's best interest, the Director shall designate a revised deadline. The Director shall post notice of any postponement of the deadline on the DOI website, <http://www.state.nj.us/treasury/doinvest/rfp.shtml>.

Bidders using U.S. Postal Service express mail services should allow additional time since the U.S. Postal Service does not deliver directly to DOI.

Bidders are required to provide proposals to the addresses and in the specific delivery format as described in Section 4.0.

1.5 ADDITIONAL INFORMATION

1.5.1 ADDENDA: REVISIONS TO THIS RFP

If it becomes necessary to clarify or revise this RFP, such clarification or revision will be by addendum. Any addendum to this RFP will become part of this RFP and part of any contract awarded as a result of this RFP.

ALL ADDENDA WILL BE ISSUED ON DOI'S WEB SITE:

<http://www.nj.gov/treasury/doinvest/rfp.shtml>

There are no designated dates for release of addenda. Therefore, interested Bidders should check DOI's website on a daily basis from the time of RFP issuance through the proposal submission deadline.

It is the sole responsibility of the Bidder to be knowledgeable of all addenda related to this procurement.

1.6 BIDDER RESPONSIBILITY

The Bidder assumes sole responsibility for the complete effort required in submitting a proposal in response to this RFP. It is the sole responsibility of the Bidder to be knowledgeable as to all of the requirements of this RFP and any Addenda. No special consideration will be given after proposals are opened because of a Bidder's failure to be knowledgeable as to such requirements.

1.6.1 COST LIABILITY

The State assumes no responsibility and bears no liability for costs incurred by a Bidder in the preparation and submittal of a proposal in response to this RFP.

1.6.2 PUBLIC DISCLOSURE OF PROPOSAL

The Bidder's proposal and all information submitted by Bidders in response to this RFP may be released to the public under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 et seq., ("OPRA") or the common law right to know, notwithstanding any disclaimers to the contrary submitted by a Bidder, except as may be exempted from public disclosure by OPRA and the common law.

A Bidder may designate specific information as not subject to disclosure pursuant to the exceptions to OPRA (see N.J.S.A. 47:1A-1.1) or the common law, when the Bidder has a good faith legal and/or factual basis for such assertion. The location in the proposal of any such designation should be clearly stated in a cover letter. The State reserves the right to make the determination as to what is exempt from disclosure, and will advise the Bidder accordingly. **The State will not honor any attempt by a Bidder to designate its entire proposal or the prices offered as exempt from disclosure.** In the event of any challenge to the Bidder's assertion of confidentiality with which the State does not concur, the Bidder may elect to defend its assertion in a timely manner at its own expense.

All received proposals will remain unopened until the deadline for proposal submission. After the deadline, only the names and addresses of the Bidders submitting proposals may be made public. The contents of the proposals shall not be available for public inspection until the Notice of Intent to Award is issued by the Director.

After the Notice of Intent to Award is issued, each proposal and, if applicable, documentation relating to any negotiations, will be available for public inspection in accordance with governing law.

1.6.3 PRICE ALTERATION IN HARD COPY PROPOSALS

Proposal prices must be typed or written in ink. Any price change (including “white-outs”) must be initialed. Any price alteration that has not been initialed shall be disregarded, unless a duplicate copy within the Bidder’s proposal packet contains the same alteration. Examples of alterations include, but are not limited to, cross-outs, erasures, white-outs, write-overs, and strikeovers, with re-entered prices. If the alteration has not been initialed, that particular item only shall be rejected, except if the extended price is verifiably correct and does not contain an alteration or if the extended total price is verifiably correct and does not contain an alteration, it shall be considered the offered price. In the event of a rejection of a single line of a proposal responding to a request for multiple prices for multiple items, the remainder of the proposal shall be evaluated.

1.6.4 WITHDRAWING PROPOSAL

A Bidder discovering an error in its bid proposal prior to the proposal submission deadline may request, in writing, that its submitted proposal be withdrawn. If the request is granted, the Bidder may submit a revised bid proposal provided it is received prior to the proposal submission deadline.

A Bidder discovering an error in its bid proposal after the proposal submission deadline but before the contract award may make written application to the Director for authorization to withdraw its bid proposal. The Director shall consider the Bidder's good faith in making the request, as evidenced by: whether the mistake relates to a material feature or term of the proposal; whether the mistake occurred notwithstanding the Bidder's exercise of reasonable care; and whether the error is so significant that to enforce the contract resulting from the proposal would be unconscionable. The Director shall also consider whether DOI would be significantly prejudiced by granting the request.

1.6.5 JOINT VENTURE

If a joint venture is submitting a proposal, the agreement between the parties relating to such joint venture should be submitted with the joint venture’s proposal. Authorized signatories from each party comprising the joint venture must sign the proposal. A separate Ownership Disclosure Form, MacBride Principles Form, Source Disclosure Form, Disclosure of Investigations and Other Actions Involving Bidder Form, Disclosure of Investment Activities in Iran, Vendor Certification and Political Contribution Disclosure Form, Chapter 51 / Executive Order 117 Vendor Certification and Disclosure of Political Contributions Form, and Affirmative Action Employee Information Report must be supplied for each party to a joint venture. Each party comprising the joint venture must also possess a valid Business Registration Certificate (“BRC”) issued by the Department of Treasury, Division of Revenue prior to the award of a contract. Refer to Section 8.1.6 of this RFP.

2.0 DEFINITIONS

2.1 GENERAL DEFINITIONS

The following definitions will be part of any contract awarded or order placed as result of this RFP.

Addendum – A written clarification or revision to this RFP issued by the Division of Investment.

Bidder – An individual or business entity submitting a proposal in response to this RFP.

Common Pension Fund – A common trust fund used to pool the assets of certain of the individual Pension Plans for the purpose of investment.

Contract – This RFP (including the Standard Terms & Conditions), any addenda to this RFP, the Bidder's proposal submitted in response to this RFP, the Bidder's Best and Final Offer, and DOI's Notice of Award.

Contractor – The Bidder awarded a contract resulting from this RFP.

Council (SIC) – State Investment Council.

Director – The Director of the Division.

Division (DOI) – The State of New Jersey Department of the Treasury, Division of Investment.

DOI Contract Manager – The DOI employee responsible for the approval of all deliverables, i.e., tasks, sub-tasks or other work elements in the Scope of Work, as set forth in Section 3.0.

Firm Fixed Price – A price that is all-inclusive of direct costs and indirect costs, including, but not limited to, direct labor costs, overhead, fee or profit, clerical support, equipment, materials, supplies, managerial (administrative) support, all documents, reports, forms, travel, reproduction and any other costs. No additional fees or costs shall be paid by the State unless there is a change in the scope of work.

Joint Venture – A business undertaking by two or more entities to share risk and responsibility for a specific project.

May – Denotes that which is permissible, not mandatory.

OPRA - New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 et seq.

Pension Funds – The Pension Plans and the Common Pension Funds.

Pension Plans – The individual retirement systems: Public Employees' Retirement System (PERS), Teachers' Pension & Annuity Fund (TPAF), Police and Firemen's Retirement System (PFRS), State Police Retirement System (SPRS), Judicial Retirement System (JRS), Consolidated Police and Firemen's Pension Fund (CPFPPF), and Prison Officers' Pension Fund (POPF).

Project – The undertaking or services that are the subject of this RFP.

Request for Proposals (RFP) – This document which establishes the bidding and contract requirements and solicits proposals to meet the needs of DOI as identified herein.

Selection Committee – A committee established by the Director to review and evaluate proposals submitted in response to this RFP and to recommend a contract award to the Director.

Shall or Must – Denotes that which is a mandatory requirement. Failure to meet a mandatory requirement will result in the rejection of a proposal as materially non-responsive.

Should – Denotes that which is recommended, not mandatory.

Standard Terms & Conditions – State of New Jersey Standard Terms and Conditions (Rev. 2/16/2018) which are available online at:

<http://www.state.nj.us/treasury/purchase/forms/9.14.17%20NJ%20Standard%20Terms%20and%20Conditions%20with%20Signature%20Block.pdf>

All references in the Standard Terms & Conditions to the Director of the Division of Purchase and Property shall for this RFP be references to the Director of DOI. All references in the Standard Terms & Conditions to the Division of Purchase and Property shall for this RFP be references to DOI. All references to the “State Contract Manager” in the Standard Terms & Conditions shall mean the DOI Contract Manager.

State – State of New Jersey.

Subtasks – Detailed activities that comprise the actual performance of a task.

Subcontractor – An entity having an arrangement with the Contractor, whereby the Contractor uses the products and/or services of that entity to fulfill some of its obligations under its State contract, while the Contractor retains full responsibility for the performance of all of its obligations under the contract, including payment to the subcontractor. The subcontractor has no legal relationship with the State, only with the Contractor.

Task – A discrete unit of work to be performed.

3.0 SCOPE OF WORK

3.1 PROXY RESEARCH SERVICES

- 3.1.1** The Contractor selected shall provide comprehensive research and support services to DOI related to proxy voting for all DOI investments in US and non-US securities. The required markets are listed in Exhibit II.
- 3.1.2** The Contractor shall provide periodic, detailed reports of anticipated proxy season issues (including corporate governance, environmental and social responsibility issues) prior to and during the proxy voting season.
- 3.1.3** The Contractor shall provide proxy voting policy updates and recommend amendments to the DOI Proxy Guidelines (attached as Exhibit III) as necessary.
- 3.1.4** The Contractor shall provide detailed proxy research for all proxy proposals preferably two weeks prior to the meeting date.
- 3.1.5** The Contractor shall provide a detailed, post-season summary of proxy season issues and voting results, preferably by August of each year.
- 3.1.6** The Contractor shall provide background and trend reports on corporate governance, environmental and social responsibility issues.
- 3.1.7** The selected Contractor shall provide a minimum of two (2) staff educational or training workshops annually in the DOI's Trenton, NJ office on issues designated by the DOI and/or recommended by the Bidder.

3.2 PROXY VOTING PLATFORM

- 3.2.1** The Contractor's proxy voting system shall have the ability to implement the DOI Proxy Guidelines (attached as Exhibit III) to automatically vote proposals in accordance with the guidelines, to the extent applicable and refer only those proposals which need to be reviewed. The Contractor shall make updates as required.
- 3.2.2** The selected Contractor must have the capability of forwarding Power of Attorney (POA) template(s) for execution along with required information needed to complete the POAs in a timely manner to ensure that DOI meets all required deadlines.
- 3.2.3** The Contractor shall provide a web-based, proxy voting platform that allows for customizable views for user-defined fields. The ballot summary should be presented for all funds that own the same security.
- 3.2.4** DOI currently uses State Street Bank and Trust as its custodian for the Pension Funds, DCP and SACT, and BNY Mellon as custodian for

NJBEST. The Contractor shall have the ability to receive electronic feeds from these custodians.

3.2.5 DOI desires projected record dates for securities lending recall purposes.

3.2.6 The proxy voting system shall provide for the maintenance of an accurate historical archive of DOI proxy voting records for seven (7) years.

3.2.7 The system shall have the ability to produce detailed statistical DOI voting reports by user-defined search criteria including, but not limited to: by proposal, by proposal category, by user-defined date range, and votes for and against management, and other related reports as requested.

3.2.8 The selected Contractor shall provide a minimum of two (2) staff educational or training workshops annually in the DOI's Trenton, NJ office on issues designated by the DOI and/or recommended by the Contractor.

3.3 OPTIONAL PROXY VOTING GUIDELINE REVIEW

3.3.1 The selected Contractor shall review and discuss the existing DOI Proxy Guidelines (attached as Exhibit III) and ascertain the appropriateness of the current policy in the current corporate governance landscape for all significant markets in which the portfolio is invested.

3.3.2 The selected Contractor shall work with DOI and a subcommittee of the Council, if so desired by the Council, to optimize a proxy voting strategy and policy by major market that is consistent with its fiduciary responsibilities and seeks to enhance long-term shareholder value, which shall be integrated into the DOI Proxy Guidelines and automated voting. This process shall involve face-to-face meetings.

3.3.3 The selected Contractor shall provide assistance in the development of proxy voting guidelines which address a wide range of issues including, but not limited to Environmental, Social, and Governance (ESG) issues.

3.3.4 The selected Contractor shall make a presentation to the Council on the recommended changes to the DOI Proxy Guidelines.

3.4 SECURITIES CLASS ACTION MONITORING SERVICES

3.4.1 The selected Securities Class Action Monitoring Services Contractor shall coordinate with DOI's custodians for purposes of providing DOI with online notification, monitoring, and management support services based on objective data to assist DOI with monitoring securities litigation. This support should be based on the complete cycle of a claim, i.e., when a claim is first identified to when a payment is disbursed.

3.4.2 The Contractor shall provide daily information regarding claims that includes: class periods, security identifiers, claim deadline dates, claims

administrator details, access to online claim forms and other related data, status reports, settlement dates and award amounts.

- 3.4.3 The Contractor shall provide monitoring services that include notification and tracking of claims, detailed views of cases and settlements by portfolio. The Contractor shall be able to accept a feed from the custodians of holdings and transactions to determine potential eligibility for each settlement. The Contractor shall also be able to accept an historical file of transactions and holdings from the current service provider.
- 3.4.4 The system should have the ability to estimate loss or award amounts at both the individual portfolio and aggregate levels.
- 3.4.5 The system should have the ability to customize views that will allow the user to track new or pending cases.
- 3.4.6 The Contractor shall provide securities litigation research information that includes: periodic newsletters or reports of new developments, issues or trends in the industry, access to research reports or papers on key issues.
- 3.4.7 The system should have the ability to audit eligibility of cases where the claim period has passed.
- 3.4.8 The selected Contractor shall provide a minimum of two (2) staff educational or training workshops annually in the DOI's Trenton, NJ office on issues designated by the DOI and/or recommended by the Contractor.

4.0 PROPOSAL PREPARATION AND SUBMISSION

4.1 PROPOSAL PREPARATION - GENERAL

- 4.1.1 **IN ORDER TO BE CONSIDERED, A PROPOSAL MUST ARRIVE AT DOI IN ACCORDANCE WITH THE INSTRUCTIONS ON THE RFP COVER PAGE. BIDDERS ARE CAUTIONED TO ALLOW ADEQUATE DELIVERY TIME TO ENSURE TIMELY DELIVERY OF PROPOSALS. LATE PROPOSALS SHALL BE INELIGIBLE FOR CONSIDERATION.**
- 4.1.2 The Bidder is advised to thoroughly read and follow all instructions contained in this RFP, including the instructions on the RFP's cover page, in preparing and submitting its proposal.
- 4.1.3 Use of URLs in a proposal should be kept to a minimum and may not be used to satisfy any material term of an RFP. If a preprinted or other document included as part of the proposal contains a URL, a printed (or if a bid is submitted electronically, electronic) copy of the URL page should be provided and will be considered as part of the proposal. Additional URLs on the copy of the URL page shall not be considered as part of the proposal unless a copy of those URL pages are also provided.

4.2 PROPOSAL SUBMISSION

The Bidder must submit the following proposal copies via overnight courier to the addresses provided below.

DELIVER TO DOI at the following address:

**Attn: Gina Costello
Division of Investment
Department of the Treasury
50 West State Street, 9th Floor
Trenton, NJ 08608**

If using U.S. Postal Service express mail:

**Attn: Gina Costello
Division of Investment
Department of the Treasury
50 West State Street,, P.O. Box 290
Trenton, NJ 08625-0290**

Bidders using U.S. Postal Service express mail services should allow additional time since the U.S. Postal Service does not deliver directly to DOI.

- **One (1) complete ORIGINAL proposal clearly marked as the “ORIGINAL” proposal.**
- **Seven (7) complete and exact copies clearly marked “COPY.”**
- **Two (2) complete and exact ELECTRONIC copies** of the original proposal in PDF file format on disc (CD or DVD) or portable USB drive to be viewable and "read only" by State evaluators using Adobe Acrobat Reader software.
- **One (1) complete and exact ELECTRONIC copy** of the original proposal in an editable and “writable” PDF file format on disc (CD or DVD) or portable USB drive for redaction.

Copies are necessary in the evaluation of the proposal and for record retention purposes. A Bidder failing to provide the requested number of copies will be charged the cost incurred by the State in producing the requested number of copies. The Bidder should make and retain a copy of its proposal.

4.3 PROPOSAL ORGANIZATION

The proposal should be submitted in two volumes with the content of each volume as indicated below:

4.3.1 **VOLUME 1**

- Section 1 - Forms (Sections 4.5 and 4.6)
- Section 2 – Price Schedule (Exhibit I)

4.3.2 VOLUME 2

- Section 1 - Technical Proposal (Section 5)

4.4 CERTIFICATIONS

4.4.1 NON-COLLUSION

By submitting a proposal, the Bidder certifies as follows:

- The price(s) and amount of its proposal have been arrived at independently and without consultation, communication or agreement with any other Contractor, Bidder or potential Bidder.
- Neither the price(s) nor the amount of its proposal, and neither the approximate price(s) nor approximate amount of this proposal, have been disclosed to any other firm or person who is a Bidder or potential Bidder, and they will not be disclosed before the deadline for proposal submission.
- No attempt has been made or will be made to induce any firm or person to refrain from bidding 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.
- The proposal is made 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.
- The Bidder and its affiliates, subsidiaries, officers, directors, and employees are not currently under investigation by any governmental agency and have not in the last four (4) years been convicted of, or found liable for, any act prohibited by state or federal law in any jurisdiction, involving conspiracy or collusion with respect to bidding on any public contract.

4.4.2 BUSINESS ETHICS GUIDE

The Treasurer has established a business ethics guide to be followed by State Contractors in their dealings with the State. The guide provides further information about compliance with Section 2.8 of the Standard Terms & Conditions. The guide can be found at:

http://www.state.nj.us/treasury/purchase/ethics_guide.shtml

By submitting a proposal, the Bidder is automatically certifying that it has read the guide, understands its provisions and is in compliance with its provisions.

4.5 FORMS REQUIRED WITH PROPOSAL

4.5.1 COVER LETTER

The Bidder shall submit a cover letter with its proposal, including the signature of an authorized representative of the Bidder. If the Bidder is a limited partnership, the cover letter must be signed by a general partner. If the Bidder is a joint venture, the cover letter must be signed by a principal of each party to the joint venture.

4.5.2 OWNERSHIP DISCLOSURE FORM

Pursuant to N.J.S.A. 52:25-24.2, in the event the Bidder is a corporation or partnership, the Bidder must complete the attached Ownership Disclosure Form. A current completed Ownership Disclosure Form must be received prior to or accompany the proposal.

4.5.3 DISCLOSURE OF INVESTIGATIONS AND OTHER ACTIONS INVOLVING BIDDER

The Bidder shall provide a detailed description of any investigation, litigation, including but not limited to administrative complaints or other administrative proceedings, involving any public sector clients during the past five (5) years. This description shall include the nature and status of the investigation, and, for any litigation, the caption of the action, a brief description of the action, the date of inception, current status, and, if applicable, disposition. The Bidder shall use the Disclosure of Investigations and Other Actions Involving Bidder form for this purpose. This form may be found at the following website:

<http://www.state.nj.us/treasury/doinvest/rfp.shtml>

4.5.4 SUBCONTRACTOR UTILIZATION PLAN

All Bidders intending to use a subcontractor must submit a completed Subcontractor Utilization Plan. The Subcontractor Utilization Plan form may be found at the following website:

<http://www.state.nj.us/treasury/purchase/forms/SubContractingForms.pdf>

4.5.5 DISCLOSURE OF INVESTMENT ACTIVITIES IN IRAN

Pursuant to N.J.S.A. 52:32-58, the Bidder must certify, at the time the bid is submitted, that neither the Bidder, nor any of its parents, subsidiaries or affiliates, is identified on the State of New Jersey Department of Treasury's list of entities determined to be engaged in prohibited investment activities in Iran. The Bidder shall use the Disclosure of Investment Activities in Iran form for this purpose. This form can be found at the following website:

<http://www.state.nj.us/treasury/doinvest/rfp.shtml>

4.6 FORMS REQUIRED BEFORE CONTRACT AWARD THAT SHOULD BE SUBMITTED WITH THE PROPOSAL

4.6.1 SOURCE DISCLOSURE CERTIFICATION FORM

Pursuant to N.J.S.A. 52:34-13.2, all services performed under a State contract or under any subcontract under the State contract shall be performed within the United States, except when it is certified in writing that a required service cannot be provided by a Contractor or subcontractor within the United States

and the certification is approved by the State Treasurer. Refer to Section 3.6 of the Standard Terms & Conditions.

The Bidder shall disclose the location by country where services under the Contract, including subcontracted services, will be performed. If any of the services cannot be performed within the United States, the Bidder shall state with specificity the reasons why the services cannot be so performed. The Bidder shall use the Source Disclosure Certification form for this purpose. This form can be found at the following website:

<http://www.state.nj.us/treasury/doinvest/rfp.shtml>

5.0 TECHNICAL PROPOSAL

This section of the proposal should at a minimum contain the information identified below, including the Bidder's answers to the questions presented. The questions below should be included in the proposal followed by its corresponding answer. For convenience, the questions in this section are included as an MS Word attachment to this RFP. The Bidder should include the level of detail it determines necessary to assist the selection committee in its review of the Bidder's proposal.

5.1 TECHNICAL PROPOSAL INFORMATION

5.1.1 Proxy Research and Voting

- A. Provide an Executive Summary of not more than three pages identifying the firm's technical approach and substantiating why the firm is the best qualified firm to provide the requested services for the DOI. Include any differentiating factors relative to the firm's competition. Include a description of any strategies that the firm employs that it may consider unique.
- B. Provide the name and address of the firm; the name, telephone number, fax number, and e-mail address of the individual or individuals responsible for the preparation of the proposal who may be contacted in the event of questions or notification; and the location of the office, if other than shown above, at which the services to be provided hereunder will be performed.
- C. Include the year formed and ownership structure, as well as any ownership changes within the past five years.
- D. Provide an organizational chart of all principals of the firm involved in this contract, including complete contact information.
- E. Provide a staffing plan listing those persons who will be assigned to the engagement if the firm is selected, including the designation of the person who would primarily be responsible for the engagement. This portion of the proposal should include the relevant resume information for the individuals who would be assigned. This information should include, at a minimum, a description of the person's relevant professional experience (e.g., years and type of experience and number of years with the firm).

- F. Provide a description of the firm's experience in services of the type described in the proposal, both for private and public entities.
- G. Provide a description of resources of the firm (i.e., background, location, experience, staff resources, financial resources, other resources, etc.).
- H. Describe the firm's commitment to research and system enhancements.
- I. Provide the number of clients gained and number of clients lost in each of the last three (3) years. Identify the five (5) largest clients lost over the last five (5) years and indicate the reason(s) for termination.
- J. Provide three (3) client references for which similar services have been provided. Provide contact names, positions, and phone numbers.
- K. Provide the number of logon IDs that are included in the proposal's firm fixed price.
- L. Bidder should provide example(s) of its proxy season issues reports, preferably for the 2017 proxy season, and the typical timetable for issuance.
- M. Provide several detailed examples of both US and non-US proposal research from the 2017 proxy season.
- N. Provide example(s) of the post season summary from the 2017 proxy season for various markets, including the U.S., and the issuance timetable
- O. Provide recent examples of background and trend reports on corporate governance, environmental and social responsibility issues and issuance frequency and timetables (e.g., monthly, quarterly, annually).
- P. Specify the current number of meetings in the number of countries covered annually. Please provide a current breakdown by market.
- Q. Describe how the Bidder would assist DOI with proxy-related special requests/reports. In its response, Bidder should provide the number of special request reports that will be covered annually under the firm fixed price.
- R. Provide a sample report of projected record dates for securities lending recall purposes.
- S. Provide information on how the firm's system denotes share blocking, including whether the system provides the date range that the shares are blocked and timeframe within which the vote can be changed.
- T. Provide the length of time that the historical voting archive is typically maintained and whether it complies with the seven years required in Section 3.2.6.
- U. Provide examples of statistical voting reports that can be prepared on a fiscal year basis summarizing the Division's votes for the domestic and international markets. Please indicate whether the firm's system has the ability to provide a summary of international proxy votes in the aggregate across all markets or if the summaries are only available by specific markets (e.g. Europe, Canada, Japan, etc). Provide a list

of the available search criteria.

- V. Provide specific examples of proxy season recap reports that the firm can provide to assist DOI in preparing its annual report to the Council. Indicate whether these reports will include a summary of DOI votes by category, DOI votes against management recommendation and vote results by category.
- W. With respect to the Dodd-Frank Act, describe how the Bidder shall assist DOI in its compliance with the Act during the term of the contract. DOI expects a disclosure report that will satisfy the SEC reporting requirement, once defined. In its response, the Bidder should explain its efforts to date to provide compliant reports to clients, and whether the Bidder expects to have such reports available for the first effective filing date.
- X. Provide an overview of the Power of Attorney (POA) process.

5.1.1.1 Mobilization Plan

- A. Provide a detailed timetable and plan for the mobilization period and implementation of this engagement. This timetable should be designed to demonstrate how the Bidder will have the personnel and equipment it needs to have the services up and operational within sixty (60) days from contract effective date. The timeline should include all steps necessary to provide voting capabilities, enact holding feeds with the custodian banks and to configure the platform to reflect DOI Proxy Guidelines (attached as Exhibit III).
- B. Provide the Bidder's plan for the deployment and use of management, supervisory or other key personnel during the mobilization period. The plan should show all management, supervisory and key personnel that will be assigned to manage, supervise and monitor the Bidder's mobilization of the Contract .

5.1.2 Class Action Monitoring

- A. Provide an Executive Summary of not more than three pages identifying the firm's technical approach and substantiating why the firm is the best qualified firm to provide the requested services for the DOI. Include any differentiating factors relative to the firm's competition. Include a description of any strategies that the firm employs that it may consider unique.
- B. Provide the name and address of the firm; the name, telephone number, fax number, and e-mail address of the individual or individuals responsible for the preparation of the proposal who may be contacted in the event of questions or notification; and the location of the office, if other than shown above, at which the services to be provided hereunder will be performed.
- C. Include the year formed and ownership structure, as well as any ownership changes within the past five years.
- D. Provide an organizational chart of all principals of the firm involved in this contract including complete contact information.

- E. Provide a staffing plan listing those persons who will be assigned to the engagement if the firm is selected, including the designation of the person who would primarily be responsible for the engagement. This portion of the proposal should include the relevant resume information for the individuals who would be assigned. This information should include, at a minimum, a description of the person's relevant professional experience (e.g., years and type of experience and number of years with the firm).
- F. Provide a description of the firm's experience in services of the type described in the proposal, both for private and public entities.
- G. Provide a description of resources of the firm (i.e., background, location, experience, staff resources, financial resources, other resources, etc.).
- H. Describe the firm's commitment to system enhancements.
- I. Provide the number of clients gained and number of clients lost in each of the last three (3) years. Identify the five (5) largest clients lost over the last five (5) years and indicate the reason(s) for termination.
- J. Provide three (3) client references for which similar services have been provided. Provide contact names, positions, and phone numbers.
- K. Provide the number of logon IDs that are included in the proposal's firm fixed price.
- L. Provide samples of screen shots or reports depicting the information required for Section 3.4.2. Are there categories of claims or settlements that the firm's service excludes? If so, please provide detailed information. Does the system provide the date that the claim information was added to the system?
- M. Provide examples of documents or screenshots responsive to Section 3.4.6.
- N. Does the system have the ability to monitor the payments made on claims to ensure the receipt of settlement monies? Is this also the case when the custodian or client files the claim?
- O. Provide details on any other information the firm deems relevant to this service.

5.1.2.1 Mobilization Plan

- A. Provide a detailed timetable and plan for the mobilization period and implementation of this engagement. This timetable should be designed to demonstrate how the Bidder will have the personnel and equipment it needs to have the services up and operational within ninety (90) days from contract effective date. The timeline should include all steps necessary to set up the required holding feeds with the custodian banks and establish the historical file of transactions from the prior current service provider.
- B. Provide the Bidder's plan for the deployment and use of management, supervisory or other key personnel during the mobilization period. The plan should show all management, supervisory and key personnel that will be assigned to manage, supervise and monitor the Bidder's mobilization of the Contract.

5.1.3 Optional Proxy Voting Guideline Review

- A. Provide an Executive Summary of not more than three pages identifying the firm's technical approach and substantiating why the firm is the best qualified firm to provide the requested services for the DOI. Include any differentiating factors relative to the firm's competition. Include a description of any strategies that the firm employs that it may consider unique.
- B. Provide the name and address of the firm; the name, telephone number, fax number, and e-mail address of the individual or individuals responsible for the preparation of the proposal who may be contacted in the event of questions or notification; and the location of the office, if other than shown above, at which the services to be provided hereunder will be performed.
- C. Provide an organizational chart of all principals of the firm involved in this contract including complete contact information. Include the year formed and ownership structure, as well as any ownership changes within the past five years.
- D. Provide a staffing plan listing those persons who will be assigned to the engagement if the firm is selected, including the designation of the person who would primarily be responsible for the engagement. This portion of the proposal should include the relevant resume information for the individuals who would be assigned. This information should include, at a minimum, a description of the person's relevant professional experience (e.g., years and type of experience and number of years with the firm).
- E. Provide a description of the firm's experience in assisting clients in developing and/or revising proxy voting guidelines.
- F. Provide three (3) client references for which similar services have been provided. Provide contact names, positions, and phone numbers.
- G. Utilizing the current DOI Proxy Guidelines (attached as Exhibit III), provide a detailed overview of process the firm would employ in assisting DOI in optimizing its proxy voting strategy and policy by major market consistent with its fiduciary responsibilities and the expected timeline.
- H. Provide a project based timetable and plan for implementation of this engagement.

5.2 FEE PROPOSAL

- 5.2.1** As full compensation for the services and all other obligations to be performed by the Bidder, the Bidder shall submit an annual firm fixed price for all services, including travel, performed under Section 3.0 of this RFP. Please complete the Price Schedule(s), as applicable, attached hereto as Exhibit I.
- 5.2.2** The State reserves the right to negotiate final price with the Bidder selected to provide these service(s).
- 5.2.3** The State's obligation to pay the Contractor is contingent upon the availability of appropriated funds from which payment for contract purposes can be made. No legal

liability on the part of the State for payment of any money shall arise unless funds are made available each fiscal year to the DOI by the Legislature for such purposes.

5.3 PRICE SCHEDULE

The Bidder must submit its pricing using the format set forth in the State-supplied price schedules accompanying this RFP. Failure to submit all information required may result in the proposal being considered non-responsive. Each Bidder is required to hold its prices firm through award of the Contract and shall not increase such prices during the term of the Contract.

Proposal prices must be typed or written in ink. Any price change (including “white-outs”) must be initialed.

6.0 TERMS AND CONDITIONS

6.1 ENTIRE AGREEMENT; PRECEDENCE OF CONFLICTING TERMS

- 6.1.1** The Contract awarded as a result of this RFP shall consist of this RFP (including the Standard Terms & Conditions as modified in Section 6.15 of this RFP), any Addenda to this RFP, Contractor's proposal, Contractor's best and final offer, and DOI's Notice of Award.
- 6.1.2** Unless specifically stated within this RFP, the Modifications and Changes to the Standard Terms & Conditions (as contained in Section 6.15 of this RFP) take precedence over the Standard Terms & Conditions accompanying this RFP.
- 6.1.3** In the event of a conflict between the provisions of this RFP (including the Standard Terms & Conditions as modified in Section 6.15 of this RFP), any Addenda to this RFP, Contractor's proposal, and Contractor's best and final offer, the order of precedence from most controlling to least shall be the following: any Addendum to the RFP, the RFP (including the Standard Terms & Conditions as modified in Section 6.15 of this RFP), Contractor's best and final offer, and Contractor's proposal.

6.2 CONTRACT TERM AND EXTENSION OPTION

- 6.2.1** The contracts for the Proxy Research and Voting and Class Action Monitoring services will each be for three (3) years, with an additional mobilization period not to exceed sixty (60) days year upon mutual agreement of the parties.. There will be a provision to extend the term for two (2) additional one-year periods beyond the initial term upon mutual agreement of the parties.
- 6.2.2** The Proxy Voting Guideline Review contract is a firm fixed price project with a timeline to be agreed upon by the DOI and the contractor.

6.3 CONTRACT TRANSITION

In the event that a new contract has not been awarded prior to the contract expiration date, as may be extended herein, it shall be incumbent upon the Contractor to continue the contract under the same terms and conditions until a new contract can be completely operational. At no time shall this transition period extend more than one year beyond the expiration date of the contract.

6.4 CONTRACT AMENDMENT

Any changes or modifications to the terms of the contract shall be valid only when they have been reduced to writing and signed by the Contractor and the Director.

6.5 CONTRACTOR RESPONSIBILITIES

6.5.1 The Contractor shall have sole responsibility for the complete effort specified in the contract. Payment will be made only to the Contractor. The Contractor shall have sole responsibility for all payments due any subcontractor.

6.5.2 The Contractor is responsible for the professional quality, technical accuracy and timely completion and submission of all deliverables, services or commodities required to be provided under the contract. The Contractor shall, without additional compensation, correct or revise any errors, omissions, or other deficiencies in its deliverables and other services. The approval of deliverables furnished under this contract shall not in any way relieve the Contractor of responsibility for the technical adequacy of its work. The review, approval, acceptance or payment for any of the services shall not be construed as a waiver of any rights that DOI may have arising out of the Contractor's performance of this contract.

6.6 OWNERSHIP OF MATERIAL

6.6.1 All data, technical information, materials gathered, originated, developed, prepared, used or obtained in the performance of the contract, including, but not limited to, all reports, surveys, plans, charts, literature, brochures, mailings, recordings (video and/or audio), pictures, drawings, analyses, graphic representations, software computer programs and accompanying documentation and print-outs, notes and memoranda, written procedures and documents, regardless of the state of completion, which are prepared for or are a result of the services required under this contract shall be and remain the property of DOI and shall be delivered to DOI upon thirty (30) days notice by DOI. With respect to software computer programs and/or source codes developed for DOI, the work shall be considered "work for hire," i.e., DOI, not the Contractor or subcontractor, shall have full and complete ownership of all software computer programs and/or source codes developed. To the extent that any of such materials may not, by operation of the law, be a work made for hire in accordance with the terms of this contract, the Contractor or subcontractor hereby assigns to the State all right, title and interest in and to any such material, and the State shall have the right to obtain and hold in its own name and copyrights, registrations and any other proprietary rights that may be available.

6.6.2 Should the Bidder anticipate bringing pre-existing intellectual property into the project, the intellectual property must be identified in the proposal. Otherwise, the language in the first paragraph of this section prevails. If the Bidder identifies such intellectual property ("Background IP") in its proposal, then the Background IP owned by the Bidder on the date of the contract, as well as any modifications or adaptations thereto, remain the property of the Bidder. Upon contract award, the Bidder or Contractor shall grant the State a non-exclusive, perpetual royalty free license to use any of the Bidder/Contractor's Background IP delivered to the State for the purposes contemplated by the contract.

6.7 SECURITY AND CONFIDENTIALITY

6.7.1 DATA CONFIDENTIALITY

All financial, statistical, personnel, customer and/or technical data supplied by DOI to the Contractor are confidential. The Contractor must secure all data from manipulation,

sabotage, theft or breach of confidentiality. The Contractor is prohibited from releasing any financial, statistical, personnel, customer and/or technical data supplied by DOI that is deemed confidential. Any use, sale, or offering of this data in any form by the Contractor, or any individual or entity in the Contractor's charge or employ, will be considered a violation of this contract and may result in contract termination and the Contractor's suspension or debarment from State contracting. In addition, such conduct may be reported to the State Attorney General for possible criminal prosecution.

The Contractor shall assume total financial liability incurred by DOI and/or the Contractor associated with any breach of confidentiality.

6.7.2 SECURITY STANDARDS

6.7.2.1 Contractor shall maintain network security that, at a minimum, includes: network firewall provisioning, intrusion detection and prevention, vulnerability assessments and regular independent third party penetration testing. Contractor shall maintain network security that conforms to current standards set forth and maintained by the National Institute of Standards and Technology (NIST), including those at:

<http://web.nvd.nist.gov/view/ncp/repository>

or any recognized comparable security standard that Contractor then applies to its own infrastructure. Industry standards such as ISO 27002, PCI Data Security Standard and ISF Standard of Good Practice, align with security best practices from SANS and CISecurity.

6.7.2.2 Contractor shall protect and maintain the security of data in accordance with generally accepted industry practices.

6.7.2.3 Data usage, storage, and protection are subject to any applicable federal and state regulatory requirements.

6.7.2.4 Contractor shall only transmit or exchange DOI data with other parties when expressly requested in writing and permitted by and in accordance with requirements of DOI. Contractor shall only transmit or exchange data with DOI or other parties through secure means supported by current technologies.

6.7.2.5 All provisions applicable to data include data in any form of transmission or storage, including but not limited to: database files, text files, backup files, log files, XML files, and printed copies of the data.

6.7.2.6 All DOI-provided data shall be used expressly and solely for the purposes enumerated in the Contract. Data shall not be distributed, repurposed or shared across other applications, environments, or business units of Contractor. No DOI-provided data of any kind shall be transmitted, exchanged or otherwise passed to other Contractors or interested parties (other than DOI's custodian) except on a case-by-case basis as specifically agreed to in writing by the DOI Contract Manager.

6.7.2.7 Contractor shall comply with all applicable State and Federal laws that require the notification of individuals in the event of unauthorized release of personally identifiable information or other event requiring notification. In the event of a breach of any of Contractor's security obligations or other event requiring notification under

applicable law (“Notification Event”), Contractor shall assume responsibility for informing the DOI Contract Manager and all such individuals in accordance with applicable law and to indemnify, hold harmless and defend the State (including but not limited to DOI), its officials, and employees from and against any claims, damages, or other harm related to such Notification Event.

6.8 NEWS RELEASES

The Contractor is not permitted to issue news releases pertaining to any aspect of the services being provided under this contract without the prior written consent of the Director.

6.9 ADVERTISING

The Contractor shall not use the State’s name, logos, images, or any data or results arising from this contract as a part of any commercial advertising without first obtaining the prior written consent of the Director.

6.10 LICENSES AND PERMITS

The Contractor shall obtain and maintain in full force and effect all required licenses, permits, and authorizations necessary to perform this contract. The Contractor shall, upon request, supply the DOI Contract Manager with evidence of all such licenses, permits and authorizations. All costs associated with any such licenses, permits and authorizations must be considered by the Bidder in its proposal.

6.11 CLAIMS AND REMEDIES

6.11.1 CLAIMS

All claims asserted against the State (including DOI) by the Contractor shall be subject to the New Jersey Tort Claims Act, N.J.S.A. 59:1-1, et seq., and/or the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq.

6.11.2 REMEDIES

Nothing in the contract shall be construed to be a waiver by the State (including DOI) of any warranty, expressed or implied, of any remedy at law or equity, except as specifically and expressly stated in a writing executed by the Director.

6.12 REMEDIES FOR FAILURE TO COMPLY WITH MATERIAL CONTRACT REQUIREMENTS

In the event the Contractor fails to comply with any material contract requirements, the Director may take steps to terminate the contract in accordance with the Standard Terms & Conditions, authorize the delivery of contract items by any available means, with the difference between the price paid and the defaulting Contractor's price either being deducted from any monies due the defaulting Contractor or being an obligation owed the State by the defaulting Contractor as provided for in the State administrative code, or take any other action or seek any other remedies available at law or in equity.

6.13 ADDITIONAL WORK AND/OR SPECIAL PROJECTS

- 6.13.1** The Contractor shall not perform additional work or special projects without first obtaining written approval from both the DOI Contract Manager and the Director.
- 6.13.2** In the event of additional work and/or special projects, the Contractor must present a written proposal to perform the additional work to the DOI Contract Manager. The proposal should provide justification for the necessity of the additional work. The relationship between the additional work and the base contract work must be clearly established by the Contractor in its proposal.
- 6.13.3** The Contractor's written proposal must provide a detailed description of the work to be performed, broken down by task and subtask. The proposal should also contain details on the level of effort, including hours, labor categories, etc., necessary to complete the additional work.
- 6.13.4** The written proposal must detail the cost necessary to complete the additional work in a manner consistent with the contract. Whenever possible, the price schedule should be a firm, fixed price to perform the required work. A payment schedule, tied to successful completion of tasks and subtasks, must be included.
- 6.13.5** Upon receipt and approval of the Contractor's written proposal, the DOI Contract Manager shall forward it to the Director for the Director's written approval.
- 6.13.6** No additional work and/or special project may commence without the Director's written approval. In the event the Contractor proceeds with additional work and/or special projects without the Director's written approval, it shall be at the Contractor's sole risk. DOI shall be under no obligation to pay for work performed without the Director's written approval.

6.14 ORGAN DONATIONS

Pursuant to N.J.S.A. 52:32-33, Contractors are encouraged to notify their employees, through information and materials or through an organ and tissue awareness program, of organ donation options. The information provided to employees shall be prepared in collaboration with the organ procurement organizations designated pursuant to 42 U.S.C. §1320b-8 to serve in this State.

6.15 MODIFICATIONS AND CHANGES TO THE STANDARD TERMS & CONDITIONS

- 6.15.1** The third, fourth and fifth sentences of Section 1 of the Standard Terms & Conditions are deleted and replaced with the following sentence:

"In the event that the Bidder would like to present terms and conditions that are in conflict with either these terms and conditions or those set forth in the RFP, the Bidder must present those conflicts for the State to consider during the Question and Answer period or during negotiations prior to contract award. The negotiated terms and conditions may not conflict with any of the material terms and conditions as set forth in the RFP."

6.15.2 Section 4.2 of the Standard Terms & Conditions regarding insurance is modified by:

(i) modifying the Certificate Holder to read:

State of New Jersey, Department of the Treasury
Division of Investment
P.O. Box 290
Trenton, New Jersey 08625

(ii) amending the e-mail address for certificates and notices of cancellation to read:

doi@treas.nj.gov

and (iii) adding the following section regarding professional liability insurance:

“Professional Liability Insurance: Contractor shall carry Errors and Omissions, Professional Liability Insurance and/or Professional Liability Malpractice Insurance sufficient to protect Contractor from any liability arising out the professional obligations performed pursuant to the requirements of the Contract. The insurance shall be in the amount of not less than \$10,000,000 and in such policy forms as shall be approved by DOI. If Contractor has claims-made coverage and subsequently changes carriers during the term of the Contract, it shall obtain from its new Errors and Omissions, Professional Liability Insurance and/or Professional Malpractice Insurance carrier an endorsement for retroactive coverage to the date of Contract commencement.”

7.0 PROPOSAL EVALUATION

7.1 RIGHT TO WAIVE

The Director reserves the right to waive minor irregularities or omissions in a bid proposal. The Director also reserves the right to waive a requirement provided that:

- A. the requirement is not mandated by law;
- B. all the otherwise responsive proposals failed to meet the requirement; and
- C. in the sole discretion of the Director, the failure to comply with the requirement does not materially affect the procurement or the State's interests associated with the procurement.

7.2 RIGHT TO REJECT OR AWARD IN PART

The Director reserves the right to reject any or all proposals, or to award in whole or in part, if the Director deems it to be in the best interest of the State to do so. Notice of such a rejection shall be posted on the DOI website, <http://www.state.nj.us/treasury/doinvest/rfp.shtml>.

7.3 RIGHT TO INSPECT BIDDER'S FACILITIES

The Director reserves the right to inspect, or to direct an employee or member of the Selection Committee to inspect, the Bidder's establishment before making an award, for the purposes of ascertaining whether the Bidder has the necessary facilities for performing the Contract.

7.4 RIGHT TO REQUEST FURTHER INFORMATION

7.4.1 The Director reserves the right to request all information which may assist him or her in making a contract award, including factors necessary to evaluate the Bidder's financial capabilities to perform the Contract.

7.4.2 The Director reserves the right to request a Bidder to explain, in detail, how the proposal price was determined.

7.4.3 The Director reserves the right to consult with clients of the Bidder during the evaluation of bids.

7.5 SELECTION COMMITTEE

Proposals shall be evaluated by a Selection Committee composed of members of DOI staff and/or other State employees. The Director may also recommend technical advisors, including members of the Council, DOI employees, consultants, and/or attorneys to assist the Selection Committee.

7.6 ORAL PRESENTATIONS AND/OR DEMONSTRATIONS

- 7.6.1** After the submission of proposals, unless requested by DOI as noted below, contact between DOI staff and any Bidder or its employees/representatives regarding the RFP is still not permitted.
- 7.6.2** After the proposals are reviewed, a Bidder may be asked to clarify certain aspects of its proposal. The process of clarification is not an opportunity for the Bidder to revise or modify its proposal, and any response or portion of a response by the Bidder to a request for clarification that attempts to revise or modify its proposal shall be given no effect.
- 7.6.3** The Bidder may be required to give an oral presentation to the Selection Committee concerning its proposal. The Selection Committee may request the Bidder to provide a demonstration of the Bidder's systems. Bidders may not attend the oral presentations or demonstrations of their competitors.
- 7.6.4** It is within the Director's discretion whether to request a Bidder to clarify its proposal or to give an oral presentation. Such a request should not be construed to imply acceptance or rejection of a proposal.

7.7 EVALUATION CRITERIA

- 7.7.1** All proposals will be reviewed to determine responsiveness. Non-responsive proposals will be rejected without evaluation. Responsive proposals will be evaluated by the Selection Committee.
- 7.7.2** Responses/proposals may be eliminated for failing to meet the minimum qualifications and screening criteria listed in RFP Section 1.3 above. A Bidder with a history of performance problems, as demonstrated by formal complaints and/or cancellations of contracts for cause, may also be eliminated from consideration for an award under this RFP.
- 7.7.3** The following evaluation criteria categories, separate or combined in some manner, and not necessarily listed in order of significance, will be used to evaluate proposals received in response to this RFP. The evaluation criteria categories may be used to develop more detailed evaluation criteria to be used in the evaluation process:
- 7.7.3.1** The qualifications and experience of the Bidder's management, supervisory, or other key personnel assigned to the Contract, with emphasis on documented experience in successfully completing work on contracts requiring services of similar size and scope.
 - 7.7.3.2** The Bidder's documented experience in successfully completing contracts requiring services of similar size and scope to the work required by this RFP.
 - 7.7.3.3** Ability of the Bidder to mobilize, undertake and successfully complete the services required by this RFP.

7.8 PRICING DISCREPANCIES

- 7.8.1** If, during the proposal evaluation process, it is discovered that there is an arithmetic disparity between the unit price and the total extended price, the unit price shall

prevail. In the event of such disparity, the Director will request, in writing, confirmation by the Bidder of the revised total extended price. The Bidder will have five (5) business days after receipt of the request to confirm the price. If the Bidder fails to respond, its proposal shall be considered withdrawn, and no further consideration shall be given to it. The Bidder may only confirm and may not modify or amend its price. The Director shall determine whether any intended confirmation is a modification or amendment.

7.8.2 If any other obvious pricing error is found, the Director shall issue a written request for confirmation to the Bidder. The Bidder will have five (5) business days after receipt of the request to confirm its pricing. If the Bidder fails to respond, its proposal shall be considered withdrawn, and no further consideration shall be given to it. The Bidder may only confirm and may not modify or amend its price. The Director shall determine whether any intended confirmation is a modification or amendment.

7.8.3 If there is an ambiguity in the pricing, other than a disparity between the unit price and extended price or other obvious pricing error, and the Bidder's intention is not readily discernible from other parts of the proposal, the Director shall issue a written request for clarification to the Bidder. The Bidder will have five (5) business days after receipt of the request to clarify its pricing. If the Bidder fails to respond, its proposal shall be considered withdrawn, and no further consideration shall be given to it. The Bidder may only clarify and may not modify or amend its price. The Director shall determine whether any intended clarification is a modification or amendment.

7.9 NEGOTIATION AND BEST AND FINAL OFFER (BAFO)

7.9.1 After evaluating proposals, DOI may enter into negotiations with one Bidder or multiple Bidders. The primary purpose of negotiations is to maximize the State's ability to obtain the best value based on the mandatory requirements, evaluation criteria, and cost. Negotiations will be structured by DOI to safeguard information and ensure that all Bidders are treated fairly.

7.9.2 Similarly, the Division may invite one (1) Bidder or multiple Bidders to submit a best and final offer (BAFO). The invitation will establish the time and place for submission of the BAFO. Any BAFO that is not equal to or lower in price than the pricing offered in the Bidder's original proposal will be rejected as non-responsive, and DOI will revert to consideration and evaluation of the Bidder's original pricing.

7.9.3 If required, after review of the BAFO(s), clarification may be sought from the Bidder(s). DOI may conduct more than one round of negotiation and/or BAFO in order to attain the best value for the State.

7.9.4 **Negotiations will be conducted and/or BAFO(s) requested only in those circumstances where they are deemed by DOI or the Director to be in the State's best interests and to maximize the State's ability to obtain the best value. Therefore, the Bidder is advised to submit its best technical and price proposal in response to this RFP since DOI may, after evaluation, make a contract award based on the content of the initial submission without further negotiation with and/or BAFO from any Bidder.**

7.10 PROPOSAL RECOMMENDATION

- 7.10.1** After evaluation of proposals and, as applicable, negotiation(s) and/or BAFO(s), the Selection Committee will recommend to the Director the responsible Bidder(s) whose proposal(s), conforming to the RFP, is/are most advantageous to the State, price and other factors considered. The Director may accept, reject or modify the recommendation of the Selection Committee. The Director may initiate additional negotiation or BAFO procedures with the selected Bidder(s).
- 7.10.2** Until a Notice of Intent to Award the Contract is issued, all contacts, records of initial evaluations, any correspondence with Bidders related to any request for clarification, negotiation or BAFO, any revised technical and/or price proposals, the Selection Committee Report, and the Award Recommendation will remain confidential.

8.0 CONTRACT AWARD

8.1 DOCUMENTS REQUIRED BEFORE CONTRACT AWARD

8.1.1 POLITICAL CONTRIBUTION DISCLOSURES

8.1.1.1 The State shall not enter into a contract with a Bidder that has solicited or made certain political contributions or payments to political parties during certain specified time periods. These prohibitions are set forth in P.L. 2005, Chapter 51, Executive Order No. 117 (2008), and P.L. 2005, Chapter 271.

8.1.1.2 Pursuant to P.L. 2005, Chapter 271, at least ten (10) days prior to contract award, the Bidder shall complete and submit the attached Vendor Certification and Political Contribution Disclosure Form.

8.1.1.3 Pursuant to P.L. 2005, Chapter 51 and Executive Order No. 117 (2008), prior to the award of any contract, the Bidder shall complete and submit the attached Chapter 51 / Executive Order 117 Vendor Certification and Disclosure of Political Contributions form. Instructions for completing this form are available for review on the Division of Purchase and Property's website at:

<http://www.state.nj.us/treasury/purchase/forms/eo134/Chapter51.pdf>

8.1.2 SOURCE DISCLOSURE CERTIFICATION REQUIREMENTS

8.1.2.1 Pursuant to N.J.S.A. 52:34-13.2, all services performed under a State contract or under any subcontract under the State contract shall be performed within the United States, except when it is certified in writing that a required service cannot be provided by a Contractor or subcontractor within the United States and the certification is approved by the State Treasurer. Refer to Section 3.6 of the Standard Terms & Conditions.

8.1.2.2 The Bidder shall disclose the location by country where services under the Contract, including subcontracted services, will be performed. If any of the services cannot be performed within the United States, the Bidder shall state with specificity the reasons why the services cannot be so performed. The Bidder shall use the Source Disclosure Certification form for this purpose. This form can be found at the following website:

<http://www.state.nj.us/treasury/doinvest/rfp.shtml>

8.1.3 AFFIRMATIVE ACTION

8.1.3.1 Pursuant to N.J.S.A. 10:5-32, no contract shall be awarded to any Bidder which has not agreed and guaranteed to afford equal opportunity in performance of the contract and in accordance with an affirmative action program approved by the State Treasurer.

8.1.3.2 The intended awardee must submit a copy of a New Jersey Certificate of Employee Information Report, or a copy of Federal Letter of Approval verifying it is operating under a federally approved or sanctioned Affirmative Action program. Intended awardee(s) not in possession of either a New Jersey Certificate of Employee Information Report or a Federal Letter of Approval shall complete and submit the attached Affirmative Action Employee Information Report.

8.1.4 MACBRIDE PRINCIPLES

The intended awardee shall certify that it either (1) has no business operations in Northern Ireland or (2) that it will take lawful steps in good faith to conduct any business operations they have in Northern Ireland in accordance with the MacBride principles of nondiscrimination in employment as set forth in Section 2 of P.L.1987, c.177 (N.J.S.A. 52:18A-89.5), and in conformance with the United Kingdom's Fair Employment (Northern Ireland) Act of 1989, and permit independent monitoring of their compliance with those principles. The intended awardee shall use the attached MacBride Principles Form for this purpose.

8.1.5 BUSINESS REGISTRATION

8.1.5.1 Pursuant to N.J.S.A. 52:32-44(b), a Bidder and its named subcontractors must have a valid Business Registration Certificate ("BRC") issued by the Department of Treasury, Division of Revenue prior to the award of a contract. See Section 2.1 of the Standard Terms & Conditions.

8.1.5.2 Any Bidder, inclusive of any named subcontractors, who does not have a valid business registration at the time of the proposal submission opening or whose BRC was revoked prior to the submission of the proposal should proceed immediately to register its business or seek re-instatement of a revoked BRC. Bidders are cautioned that it may require a significant amount of time to secure the re-instatement of a revoked BRC. The process can require actions by both the Division of Revenue and the Division of Taxation. For this reason, a Bidder's early attention to this requirement is highly recommended. The Bidder and its named subcontractors may register with the Division of Revenue, obtain a copy of an existing BRC or obtain information necessary to seek re-instatement of a revoked BRC online at:

<http://www.state.nj.us/treasury/revenue/busregcert.shtml>

8.1.5.3 A Bidder receiving a contract award as a result of this procurement and any subcontractors named by that Bidder will be required to maintain a valid business registration with the Division of Revenue for the duration of the Contract, inclusive of any contract extensions.

8.1.6 INSURANCE CERTIFICATES

Contractor shall provide DOI with current certificates of insurance for all coverages required by the terms of this contract, naming DOI as an Additional Insured. Refer to Section 4.2 of the Standard Terms & Conditions accompanying this RFP.

8.1.7 NOTICE TO BIDDERS OF SET-OFF FOR STATE TAXES

Pursuant to N.J.S.A. 54:49-19 and notwithstanding any provision of the law to the contrary, whenever any taxpayer, partnership, or S corporation under contract to provide goods or services or construction projects to the State of New Jersey or its agencies or instrumentalities, is entitled to payment for those goods and services at the same time a taxpayer, partner or shareholder of that entity is indebted for any State tax, the Director of the Division of Taxation shall seek to set off that taxpayer's or shareholder's share of the payment due the taxpayer, partnership, or S corporation. The amount set off shall not allow for the deduction of any expenses or other deductions which might be attributable to the taxpayer, partner or shareholder subject to set off under this act.

8.2 FINAL CONTRACT AWARD

8.2.1 AWARD OR REJECTION OF PROPOSALS

Contract award(s) shall be made with reasonable promptness by written notice to that responsible Bidder(s), whose proposal(s), conforming to this RFP, is(are) most advantageous to the State, price and other factors considered. Any or all proposals may be rejected when the Director determines that it is in the public interest to do so. The Director shall make his or her decision consistent with his or her fiduciary duties pursuant to N.J.S.A. 52:18A-89.

8.2.2 NOTICE OF INTENT TO AWARD; PROTESTS

The Director shall post a Notice of Intent to Award on the DOI website. In the event that the Director determines that all proposals shall be rejected or no award shall be made, the Director shall post a notice of such determination on the DOI website. The DOI website is located at: www.state.nj.us/treasury/doinvest/rfp.shtml.

A non-successful Bidder, within ten (10) business days following the Notice of Intent to Award, may submit a written protest. If a contract award is protested, DOI shall not award the contract in question until a final decision is rendered on the merits of the protest, unless the Director finds that the failure to award the contract will result in substantial cost to the State or that public exigency so requires. In such event, DOI shall notify all interested parties.

Protests must be submitted to the Director, and must concern one or more of the following:

- a) Rejection of the Bidder's proposal for failing to meet the minimum qualifications and screening criteria listed in Section 1.3 above. Such protest may not challenge the validity of the requirements or criteria, but rather may assert that its proposal complied with such requirements or criteria; and/or
- b) Notice of intent to award contract(s) to another Bidder as part of the same procurement.

A protest shall contain the following:

- a) Identification of the particular procurement;
- b) The specific grounds for challenging the rejection of its proposal or the scheduled contract award, as applicable, including all arguments, materials and/or other documentation that may support the protester's position; and
- c) A statement as to whether the protester requests an opportunity for an in-person presentation and the reason(s) for the request.

The Director has sole discretion to determine if an in-person presentation by the protester is necessary to reach an informed decision on the protest. In-person presentations are fact-finding for the benefit of the Director, who has the discretion to limit attendance at an in-person presentation to those parties likely to be affected by the outcome of the protest.

The Director is entitled to request, receive, and review copies of any and all records and documents deemed appropriate and relevant to the issues and arguments set forth in the protest. Upon receipt of any such request, the Bidder shall promptly provide the requested records and documents in the time, place, and manner specified in the request. Failure to do so may constitute a reasonable basis for the Director to resolve the protest against the Bidder submitting the protest. The Director may also consider relevant information requested and received from other parties as he or she deems appropriate.

The Director may disregard any protest not containing all of the items set forth above or filed after the 10-day protest period.

The protest shall be resolved by written decision of the Director based on the Director's review of the written record including, but not limited to, the written protest, the terms, conditions and requirements of the RFP, the proposals submitted in response to the RFP, written reports and/or the award recommendation documents, pertinent administrative rules, statutes, and case law, and any associated documentation deemed appropriate. In cases where no in-person presentation is held, such review of the written record shall, in and of itself, constitute an informal hearing.

The Director may designate someone, from within or outside DOI, to perform a review of the written record and conduct an in-person presentation. In the case of a review or in-person presentation being handled by a reviewer from outside DOI, the determination of such designee shall be in the form of a report to the Director, which shall not be binding on the Director but rather advisory in nature. The protesting party shall receive a copy of the reviewer's report and shall have a period of ten (10) business days to provide written comments or exceptions to the report to the Director.

The Director shall make a final written decision on the protest.

Protests are not contested cases subject to the requirements of the Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq., and the Uniform Administrative Procedure Rules, N.J.A.C. 1:1. Final agency determinations by the Director on protests are appealable to the Appellate Division of the Superior Court of New Jersey.

9.0 CONTRACT ADMINISTRATION

9.1 CONTRACT MANAGER

The DOI Contract Manager is the DOI employee responsible for the overall management and administration of the Contract, including directing Contractor to perform the work of the Contract and resolving minor disputes between Contractor and DOI.

The DOI Contract Manager for the Contract will be identified when the Contract is awarded. At that time, Contractor will be provided with the DOI Contract Manager's name, address, telephone number, and e-mail address. The DOI Contract Manager is the person that Contractor will contact after the Contract is executed for answers to any questions and concerns about any aspect of the Contract.

**Exhibit I
Price Schedule**

Proxy Research and Voting

Bidder Name: _____

Total Yearly Firm Fixed Price for Completing Scope of Services as Noted in Section 3.0 for Initial 3-year Contract Period:

Year One

Proxy Research and Voting -----\$ _____

Mobilization-----\$ _____

Year Two

Proxy Research and Voting-----\$ _____

Year Three

Proxy Research and Voting-----\$ _____

Total Yearly Firm Fixed Price for Completing Scope of Services as Noted in Section 3.0 for Additional Years 4 and 5.

Year Four

Proxy Research and Voting-----\$ _____

Year Five

Proxy Research and Voting-----\$ _____

Price Schedule
Class Action Monitoring Services

Bidder Name: _____

Total Yearly Firm Fixed Price for Completing Scope of Services as Noted in Section 3.0 for Initial 3-year Contract Period:

Year One

Class Action Monitoring Services-----\$ _____

Mobilization-----\$ _____

Year Two

Class Action Monitoring Services-----\$ _____

Year Three

Class Action Monitoring Services-----\$ _____

Total Yearly Firm Fixed Price for Completing Scope of Services as Noted in Section 3.0 for Additional Years 4 and 5.

Year Four

Class Action Monitoring Services-----\$ _____

Year Five

Class Action Monitoring Services-----\$ _____

Price Schedule
Optional Proxy Voting Guideline Review

Bidder Name: _____

Total Firm Fixed Price for Completing Scope of Services as Noted in Section 3.0:

Proxy Voting Guideline Review-----\$ _____

Exhibit II
Country Name
AUSTRALIA (SYDNEY)
AUSTRIA (VIENNA)
BELGIUM (BRUSSELS)
BERMUDA (HAMILTON)
BRAZIL (SAO PAULO)
CANADA (TORONTO)
CHILE (SANTIAGO)
CHINA (SHANGHAI)
CHINA (SHENZHEN)
CZECH REPUBLIC (PRAGUE)
DENMARK (COPENHAGEN)
EGYPT (CAIRO)
FINLAND (HELSINKI)
FRANCE (PARIS)
GERMANY (FRANKFURT)
GREECE (ATHENS)
HONG KONG
HUNGARY (BUDAPEST)
INDONESIA (JAKARTA)
IRELAND
ISRAEL (TEL AVIV)
ITALY (MILAN)
JAPAN (TOKYO)
KOREA (SEOUL)
MALAYSIA (KUALA LUMPUR)
MEXICO (MEXICO CITY)
MOROCCO (CASABLANCA)
NETHERLANDS (AMSTERDAM)
NEW ZEALAND (WELLINGTON)
NORWAY (OSLO)
PAKISTAN (KARACHI)
PHILIPPINES (MANILA)
POLAND (WARSAW)
PORTUGAL (LISBON)
QATAR (DOHA)
RUSSIA (MOSCOW)
SINGAPORE
SOUTH AFRICA (JOHANNESBURG)
SPAIN (BARCELONA)
SWEDEN (STOCKHOLM)
SWITZERLAND (ZURICH)
THAILAND (BANGKOK)
TURKEY (ISTANBUL)
UNITED ARAB EMIRATES (Abu Dhabi)
UNITED ARAB EMIRATES (Dubai)
UNITED ARAB EMIRATES (Dubai Nasdaq)
UNITED KINGDOM LONDON
UNITED STATES

STATE OF NEW JERSEY
DIVISION OF INVESTMENT PROXY GUIDELINES

Board of Director Issues

ELECTION OF DIRECTORS - INDEPENDENCE

We favor diversity of experience on the Board and believe that corporate management should not dominate the Board. Votes should be cast in favor of shareholder proposals asking that boards be comprised of a majority of independent directors.

Votes should be cast in favor of shareholder proposals asking that board audit, compensation and nominating committees be comprised exclusively of independent directors.

In assessing whether a proposed outside director may be viewed as independent, with respect to building long-term shareholder value, the Division employs, as a guideline, extracts from the Council of Institutional Investors' "Definition of Independent Director".

Council of Institutional Investors—Guideline Extracts from Definition of Independent Director:

An independent director is someone whose only nontrivial connection to the corporation is that person's directorship.

A director will not generally be considered independent if he or she:

- a) has been employed by the corporation or an affiliate in an executive capacity;
- b) is an employee or owner of a firm that is one of the corporation's or its affiliate's paid advisors or consultants;
- c) is employed by a significant customer or supplier;
- d) has a personal services contract with the corporation or one of its affiliates;
- e) is employed by a foundation or university that receives significant grants or endowments from the corporation or one of its affiliates;
- f) is a relative of an executive of the corporation or one of its affiliates;
- g) part of an interlocking directorate in which the CEO or other executive officer of the corporation serves on the board of another corporation that employs the director.

ELECTION OF DIRECTORS IN A PROXY CONTEST

In instances where two slates of directors are proposed, one by the corporation and the second by an independent group, we evaluate the competing groups and make a decision that best suits the financial interests of fund beneficiaries, as is required by State prudence law. Competing groups have equal access to the Division, including, where appropriate, a meeting between the top management of each group and the staff of the Division. In his discretion, the Director may consult with the Chair of the Council, who in turn may poll the other Council members.

ANNUAL DIRECTOR ELECTION/CLASSIFIED BOARDS

We vote in favor of the annual election of directors and support shareholder proposals to eliminate a classified (staggered) board.

MAJORITY VOTE TO ELECT DIRECTORS

We vote in favor of shareholder proposals requiring a majority affirmative vote for the election of directors. We favor the amendment of a company's governance documents (certificate of incorporation or bylaws) to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders.

INDEPENDENT CHAIRMAN/SEPARATE CHAIRMAN/CEO

We support shareholder proposals calling for an independent chairman or separation of the chairman and CEO positions absent a compelling corporate case, such as a strong lead director, elected by and from the independent board members, with clearly delineated and comprehensive duties.

PROXY ACCESS

The Division reviews proxy access proposals on a case-by-case basis. We generally support proposals that call for a minimum ownership threshold of two to three percent held for two to three years with the ability to nominate up to 25% of the board.

CUMULATIVE VOTING

Cumulative voting gives shareholders the option to cast all of their votes for a single board nominee or to apportion those votes among a selection of nominees in any combination desired, thereby maximizing the shareholders' voting power. Historically, the Division has not supported

proposals to create cumulative voting in the election of corporate directors on the theory that such voting would enable dissident directors to be more easily elected to corporate boards.

CONSTITUENCY REPRESENTATION ON BOARD

We oppose shareholder proposals requesting an employee or union representative on the Board.

DIRECTORS' LIABILITY AND INDEMNITY

The Division supports management proposals to limit director liability and provide indemnification in the event of successful lawsuits, except for fraud on the part of a director, to help ensure the availability of a pool of able directors.

STOCK OWNERSHIP REQUIREMENTS

The Division votes against shareholder proposals for stock ownership requirements for directors.

STOCK RETENTION

We support shareholder proposals requiring that executive officers retain a certain level of shares acquired through compensation plans for a specified period of time after leaving the company.

DIRECTOR TERM LIMITS

The Division routinely votes against shareholder proposals to limit directors' term of office.

Corporate Governance Issues

SELECTION OF AUDITORS

In considering the selection of auditors, the Division staff reviews the experience of the auditors, the possibility of conflict with the company and whether the auditors are subject to periodic rotation to insure independence.

NO CONSULTING BY AUDITORS

The Division supports shareholder proposals requesting that boards adopt policy that independent auditors provide only audit services to a company and not provide any other services.

REINCORPORATION OUTSIDE THE U.S.

The Division reviews proposals to reincorporate outside the U.S. on a case-by-case basis taking into consideration the rationale for reincorporation (including economic/financial factors), the economic costs and benefits of the reincorporation, and the extent to which corporate governance, shareholder rights, and transparency are impacted.

ANTI-TAKEOVER MEASURES

The Division reviews these proposals on a case-by-case basis. Historically, we have measured the proposals against four main principles. First, that all shares should have equal voting rights, namely, one vote per share; second, all shareholders should be treated equally, which would prohibit "greenmail" and exclusionary tender offers; third, shareholders should be able to vote on issues which would have a material financial effect upon a corporation; and, fourth, executive compensation and the choice of outside auditors should be the responsibility of independent directors on the company's board.

Historically, we have generally supported the elimination of staggered boards of directors, a rescission of "poison pills," and the elimination of super majority voting requirements. We also support shareholder proposals intended to reverse shark repellents where consistent with the positions discussed herein.

SHAREHOLDERS' RIGHT TO CALL SPECIAL MEETING

We support a shareholder's right to call a special meeting.

SHAREHOLDER ACTION BY WRITTEN CONSENT

We support shareholder action by written consent.

ADJOURN MEETING TO SOLICIT VOTES

We vote against management proposals to adjourn meetings to solicit additional votes.

SHAREHOLDER RIGHTS PLAN

We support shareholder proposals to submit Shareholder Rights Plans to shareholders for a vote.

CONFIDENTIAL PROXY VOTING/INDEPENDENT VOTE TABULATION

We support shareholder proposals for the confidential voting and independent tabulation of proxies.

Capital Structure**INCREASE IN SHARES OUTSTANDING**

We generally support increases in authorized shares of common stock by corporations, unless the number appears to be unduly excessive or the increased shares would further acquisitions or a financial recapitalization that we would prefer be referred to shareholders. We generally oppose the authorization of shares of preferred stock whose terms can be set at the discretion of the company's board of directors or management. This preferred stock is sometimes referred to as "blank check" preferred stock, and can be used as a shark repellent or to create special voting rights for favored shareholder groups.

PREEMPTIVE RIGHTS

From time to time shareholders propose that a corporation adopt the principle of preemptive rights, which requires that a company offer its existing shareholders new shares of publicly-offered stock so they may maintain their pro rata ownership in the company. This is a costly procedure that we generally oppose if there is a liquid market through which we may maintain our proportional position in most company stocks. On occasion, we may support preemptive rights proposals in the case of companies whose shares are very lightly traded and cannot be readily acquired in the marketplace.

MERGER/ACQUISITION

We review all proposed mergers/acquisitions on a case-by-case basis.

Executive Compensation

STOCK OPTION AND RESTRICTED STOCK PLANS

Stock option and restricted stock plans are reviewed on a case-by-case basis, applying general guidelines concerning acceptable terms and conditions of the plans.

Expensing

Options: We support the expensing of all equity based grants.

Price: One hundred percent of fair market value on date of grant.

Dilution: Generally, five percent dilution of outstanding shares will be acceptable for most companies. Higher thresholds will be considered for less mature companies where stock ownership may constitute the major attraction to the recruitment of capable managers.

Eligibility: Employees and non-employee Directors

Vesting: Preferable over a minimum of five years. We do not vote against plans with a shorter vesting period, except in the case of immediate vesting. We vote against plans that would accelerate vesting in a take-over situation.

Option Repricing (Underwater

Options): As a rule, plans that permit a reduction in the exercise price of existing options or the replacement of those options with new options or other equity awards should be opposed, in the absence of unique circumstances.

Discretion: Plans that are not specific in their terms should be generally opposed.

We generally favor restricted stock programs over stock option incentive plans. We review the proposals on a case-by-case basis and if the plan does not result in excessive compensation and has a reasonable vesting period, we support the proposal.

PAY FOR PERFORMANCE

We review these proposals on a case-by-case basis to evaluate the selected financial performance criteria, prescribed benchmarks and minimum bonus payment criteria.

EMPLOYEE STOCK PURCHASE PLANS

We generally support plans with 15% discount open to all employees.

FREQUENCY OF SAY-ON-PAY VOTES

We support proposals for annual shareholder advisory votes on executive compensation.

ADVISORY VOTE ON EXECUTIVE COMPENSATION

We review management proposals to ratify executive compensation on a case-by-case basis evaluating whether the company has clear, comprehensive compensation disclosures; maintains an independent and effective compensation committee; avoids arrangements that risk “pay for failure”; and maintains appropriate pay-for-performance alignment, with emphasis on long-term shareholder value. The portfolio analyst and Director review instances where we intend to vote against management.

GOLDEN PARACHUTES

"Golden Parachutes" (severance packages usually triggered by a change in control of the company) are normally not subject to shareholder approval, but must be disclosed in the proxy material, and often become the subject of shareholder proposals calling for their rescission.

These are reviewed on a case-by-case basis, and where viewed as excessive, rescission is supported. In general, we would view anything more than three years' compensation as being excessive.

GOLDEN COFFINS

We generally support shareholder proposals prohibiting “Golden Coffins” (compensation to executives' beneficiaries based upon salary and bonuses that have not been earned prior to death, accelerating the vesting on equity grants, and egregious life insurance policies).

Other**MISCELLANEOUS SOCIAL ISSUES**

On proposals related to various social issues, which can only be loosely connected with corporate governance and which normally bear little relation to the companies' long-term economic viability,

we believe that, under present fiduciary law, our primary responsibility should be to vote solely in the financial interest of the beneficiaries of the pension funds. The establishment of standards for social behavior is appropriately the province of the law and is not the province of the staff of the Division. The Division tends to support management's position when it is consistent with existing law, including rulings of the U.S. Supreme Court. However, the Division has recognized that social issues may have significant financial impact, and, in the past, has supported certain proxy issues on the grounds that these issues could have material financial effects on the company and on shareholders.

ENVIRONMENTAL CONCERNS

Generally, we favor the spirit of environmental concern and support corporate practices that reflect sensitivity to furthering an ecologically sound environment. Environmental issues can impact a corporation's long-term financial performance and its image as a responsible corporate citizen. In this connection, the Division's selection of investment opportunities reflects the Council's stated policy..."the Council believes that good corporate citizenship enhances the value of a company, and, conversely, that poor corporate citizenship detracts from a company's value." Environmental policies are well established by law and regulation at the Federal, State, and local levels, and each corporation must comply with these strictures or face the appropriate penalties. We believe that the law is the proper determinant of corporate responsibility, and that pledges which mandate that corporations go beyond the requirement of the law should be avoided. We do not support measures such as the establishment of specific target goals or the compilation of detailed scientific reports which can impose additional expenses and duplicate existing regulations.

CORPORATE ACTIVITY IN NORTHERN IRELAND

P.L. 1987, c. 177, requires the Director of the Division of Investment to initiate and support shareholder petitions or initiatives requiring adherence by corporations to standards set forth in the Act (i.e., the MacBride Principles), where appropriate, and consistent with prudent standards for fiduciary practice.

CORPORATE ACTIVITY IN SUDAN

P.L. 2005, c.162 requires the Director of the Division of Investment to divest of any foreign company that has an "equity tie" (as defined by the law) to the country of Sudan. We support shareholder proposals requiring a company to cease operations in Sudan or disclose any activities related to Sudan. We also support proposals requesting a human rights committee of the board when Sudan-related.

SMOKING-RELATED PROPOSALS

Generally, we do not support using the proxy voting process to proscribe the business of any corporation, if that business is permitted under existing law, given our fiduciary obligation to vote solely in the financial interests of the pension fund beneficiaries.

With respect to the smoking-related concerns, we believe the appropriate venues to assess and remedy these concerns exist with the State and Federal legislative bodies, the designated regulatory agencies, and judicial forums.

We normally support shareholder proposals barring advertising to youth.

REPORT ON CONTRIBUTIONS TO POLITICAL ACTION COMMITTEES

Generally, we vote against such proposals, as the information is a matter of public record. Existing law requires that PACs, political parties and candidates file reports with the FEC.